State Of
IDAHO
Comprehensive Annual Financial Report

For The Fiscal Year Ended
June 30, 2004

First Tracks
Photo Courtesy of the Tamarack Resort

TAMARACK RESORT

The newest of Idaho's ski resorts is located between McCall and Boise near Lake Cascade.

Tamarack is the first destination resort with skiing that has been fully permitted in over 20 years. The Resort is expected to open in December of 2004 and offer over 1,100 acres of skiing.

In addition to skiing (and many summer activities) Tamarack is also a residential community, with lots ranging in size from ½ acre to 1½ acres. The residential lots are a mix of backing onto federal forest lands, providing lake views, and being nestled around a beautiful golf course.

The Resort has received positive national press attention. In January of 2004, the Washington Post listed Tamarack Resort as one of the top ten hottest destination spots.

An article in *BusinessWeek* congratulated Tamarack's management on its commitment to service and its careful attention and respect given to environmental planning and local economic development issues.

Catching Air
Photo Courtesy of the Tamarack Resort

Cover Photograph: Little Girl Skiing at Sun Valley - circa 1960's (recognize the mittens?)
Photo Courtesy of the Idaho Historical Society

IDAHO
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

DIRK KEMPTHORNE
GOVERNOR
KEITH L. JOHNSON
STATE CONTROLLER

PREPARED BY THE OFFICE OF THE STATE CONTROLLER

STATE OF IDAHO

Office of the State Controller

Keith L. Johnson, CPA, JD
State Controller

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Thanks and appreciation to the Bureaus of Accounting Operations, System Administration, Accounting Customer Resource Center, and Application Development in the Office of the State Controller.

Special appreciation to all fiscal and accounting personnel throughout the State whose efforts to contribute accurate, timely financial data for their agencies made this report possible.

STATE OF IDAHO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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Introductory Section

The Sun Valley Lodge
Photo Courtesy of the Sun Valley Resort

SUN VALLEY RESORT

Sun Valley, built in 1936, is America's original ski resort. Born out of a desire to bring the magic of the European ski resorts to America, Sun Valley quickly became a phenomenon without peer on this continent or any other. From the crisp air atop Bald Mountain, to the quaint walking village below, there is no other place quite like Sun Valley, regardless of the season.

America's first destination resort, where the world's first chairlift was engineered, Sun Valley is truly an American original. The prodigy of the Union Pacific Railroad, Sun Valley was built to enchant the nobility and celebrity of the day. Today, the patina of old world charm blends beautifully with everything modern. The resort is easily accessible with new non-stop daily air service.

Snowshoeing at Sun Valley
Photo Courtesy of the Sun Valley Resort

Keith L. Johnson
STATE CONTROLLER

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November 24, 2004

To: The Honorable Dirk Kempthorne, Governor
Members of the Legislature
Citizens of the State of Idaho

As required by *Idaho Code*, Section 67-1001, I am pleased to transmit the Comprehensive Annual Financial Report (CAFR) to you for the fiscal year ended June 30, 2004. This report represents Idaho's continued commitment to sound and effective fiscal management and to responsible financial reporting based on recognized standards. This CAFR, which includes the State's independently audited basic financial statements, will provide you and the financial community with the information necessary to assess Idaho's financial position, results of operations, and management of its financial resources.

Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the Office of the State Controller. As the State's Chief Fiscal Officer, I am confident the data presented is accurate in all material respects. It is presented in a manner that fairly sets forth the financial position and results of state operations. It is prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and includes recommendations of the Government Finance Officers Association. All disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial position and results of operations have been included.

The State's management has established and maintained an internal control structure in order to ensure that the financial statements are free from material misstatement and that the State's assets are adequately protected from loss, theft, or misuse. The State's Management Control System includes both financial and administrative controls and provides a framework for managers to work within their own organizational structures to promote efficient and effective operations in the State. Because the cost of internal controls should not outweigh their benefits, the framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

In accordance with *Idaho Code*, Section 67-429, the Legislative Audit staff of the State Legislature audited the State's basic financial statements for the fiscal year ended June 30, 2004, in order to provide reasonable assurance that the CAFR is free of material misstatement. The audit was conducted in accordance with generally accepted governmental auditing standards, and the auditor's opinion is included as the first component of the Financial Section of this report. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the CAFR; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State of Idaho's basic financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP.

In addition, the Legislative Audit staff has the responsibility for conducting statewide audits under the Federal *Single Audit Act of 1984* and the related Office of Management and Budget *Circular No. A-133* in order to meet the special needs of federal grantor agencies. The State issues a separate single audit report.

GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

The State of Idaho was admitted into the Union as the 43rd state in 1890. It covers 84,437 square miles bordered on the south by Utah and Nevada, on the east by Wyoming and Montana, on the west by Washington and Oregon, and on the north by Canada. Idaho has a population of 1.3 million. State government is divided into three branches. The Executive Branch is comprised of the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and the Superintendent of Public Instruction. The Legislative Branch is comprised of two houses, a 35-member Senate and a 70-member House of Representatives. The Judicial Branch is presided over by the Idaho Supreme Court, which is led by the Chief Justice, elected by the four other justices.

The State provides services such as education, health and human services, highway maintenance and construction, public safety and correction, natural resource management, and economic development programs. In addition to general government activities, component units that are part of this report include the Idaho State Building Authority, the Idaho Life and Health Insurance Guaranty Association, the Petroleum Clean Water Trust Fund, and the college and university foundations.

The annual budgetary process serves as the foundation for the State's financial planning and control. In September of each year, state agencies submit to the Governor's Office and the Legislature's Budget and Policy Analysis staff requests for appropriations for operating expenditures, special outlays, and specific purposes. The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The budget is generally appropriated by agency, fund, program, and object. Legal level of budgetary control generally is the same as appropriations.

All claims presented for payment must be certified by the appropriate department that the expenditure is for a purpose intended by law and a sufficient existing and unexpended appropriation balance is available. Budgetary controls are incorporated into the Statewide Accounting and Reporting System to ensure expenditures do not exceed authorized appropriations. The budgetary process is further described in Note 1 and required supplementary information.

FINANCIAL CONDITION

Economy

It appears the national economy has successfully transitioned from policy-supported growth to self-sustaining growth. Stimulative monetary and fiscal policies kept the recovery moving ahead despite the lackluster job market. Well-timed tax cuts put money in consumers' hands and kept spending from retreating. As a result, the consumer sector kept the economy afloat. Record low interest rates also helped. U.S. real gross domestic product increased 3.1 percent in 2003 and is anticipated to increase 4.9 percent in 2004 and 3.8 percent in 2005. U.S. nonfarm employment decreased 0.3 percent in 2003 and is projected to grow 1.2 percent in 2004 and 2.1 percent in 2005. The last year the number of U.S. jobs increased was in 2000.

Idaho's economy began showing signs of recovery in 2003. Idaho's nonfarm employment grew 0.8 percent in 2003 (to 572,556). It is estimated that Idaho's nonfarm employment will increase 1.6 percent in 2004 and 1.7 percent in 2005. Looked at another way, Idaho is expected to enjoy a net job gain of nearly 19,000 from 2003 to 2005.

Idaho's nonfarm employment consists of nongoods-producing industries and goods-producing industries. Nongoods-producing industries account for over 80 percent of all nonfarm jobs in Idaho. Nongoods-producing industries include services, such as professional, education, health, and leisure; and retail and wholesale trade. Total employment in Idaho's nongoods-producing sector increased 1.6 percent in 2003 (to 470,182) and is forecast to rise 2.0 percent in 2004 and 2.2 percent in 2005. The services sector accounts for the lion's share of employment in Idaho. This sector increased 2.5 percent in 2003 (to 260,006) and is expected to increase 2.7 percent in 2004 and 3.0 percent in 2005.

Employment in Idaho's goods-producing sector decreased 2.5 percent in 2003 (to 102,374) and is expected to decrease 0.4 percent in 2004 and 0.7 percent in 2005. Idaho's goods-producing industries include manufacturers of goods, such as logging and wood products, metal fabrication, machinery, computer and electronics, food processing, printing, and chemicals. Idaho's computer and electronics employment peaked at

nearly 20,700 in the first quarter of 2001 and then shed nearly 4,700 jobs through the end of 2003. Idaho's computer and electronics employment growth should be flat in 2004. However, it is expected to expand 1.9 percent in 2005.

National personal income grew 3.3 percent in 2003 and should grow 5.7 percent in 2004 and 5.6 percent in 2005. Idaho's personal income increased by 3.5 percent in 2003 and is expected to increase 5.8 percent in 2004 and 5.1 percent in 2005.

Idaho's population increased 1.6 percent in 2003, which was 0.6 percent higher than the national rate. U.S. population is expected to grow 1.0 percent in 2004 and 0.9 percent in 2005. Idaho's population growth is expected to be greater than the national rate with 1.6 percent in 2004 and 1.5 percent in 2005.

Financial Planning

Fiscal year 2005 is the second and final year of the temporary one-cent sales tax increase. With that sunset in mind, which will reduce General Fund revenues about $180 million in fiscal year 2006, the Legislature set about putting a spending plan in place which would leave a fiscal year 2005 estimated ending balance of $49.7 million to help off-set that impact. The fiscal year 2005 budget included some basic maintenance level costs for personnel cost roll-ups (health insurance and retirement), medical inflation for selected health care institutions, a 2.0 percent Change in Employee Compensation package with a contingency appropriation for another temporary 1.0 percent increase, and some formula increases for public schools, along with some salary and operational improvements.

Health and Human Services. The General Fund appropriation for the Department of Health and Welfare increased from $375.8 million in fiscal year 2004 to $407.6 million in fiscal year 2005, an 8.4 percent increase. In addition, full-time equivalent positions will increase by 3.1 percent, from 2,805 in fiscal year 2004 to 2,893 in fiscal year 2005. Additional staff is needed to improve upon reported service levels and enhance customer services to the Department's clients.

Public Schools. The General Fund appropriation for public schools increased by 2.3 percent for fiscal year 2005, from $943.0 million to $964.7 million. The key legislation in public schools centered on charter schools' governance and finance. Senate Bill 1444 tightened ethics standards for charter schools, limited to six the number of new charters that may be annually authorized in Idaho, and created the Public Charter School Commission as an alternative chartering entity for those charter petitioners who are unable to satisfactorily resolve issues with the local school board within 30 days. In addition, the statewide minimum teacher salary was increased 10 percent, from $25,000 to $27,500.

Endowment Funds. The endowment funds are dedicated funds generated from the investment of revenues earned from lands granted by the federal government upon statehood. Changes to the *Idaho Constitution* allowed for the investment of these revenues in the stock market beginning in 2000. Unfortunately, the investments suffered severe losses, which resulted in the necessity to reduce distributions to the public schools and other pooled beneficiaries. For fiscal year 2005, the public school endowment appropriation decreased 39 percent from $37.8 million to $23 million or by $14.8 million. About 20 percent of the reduction was due to the declining value of the permanent funds three-year moving average. The other 80 percent of the reduction was due to the Land Board's decision to change the distribution policy from 7.5 percent of the three-year moving average to 5.0 percent of the three-year moving average.

Building Projects. For fiscal year 2005, the Permanent Building Fund will be used primarily to address building maintenance projects. Of the $21.3 million appropriated for the Fund, $16.0 million or 75.2 percent was allocated for maintenance projects. Two other projects authorized included the State Historical Society's Idaho History Center, Phase 2, for $4.6 million and the Department of Labor's portion of the Idaho Falls State Office Building, for $0.7 million.

Cash Management and Investments

The State Treasurer is responsible for investing the State's cash, except for certain organizations within the State's reporting entity having independent powers to manage and invest their own cash. The State Treasurer is allowed to invest in investment grade (an A rating or higher) securities ranging from U.S. Treasury Bills to domestic corporate bonds. The State Treasurer also manages an investment pool for local governments' cash balances under the same legal provisions. Cash management and investments are discussed more fully in Notes 1 and 2 to the financial statements.

Risk Management

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. The Risk Management fund manages property and general liability risk. It self-insures general liability up to $500,000 per claim and property damage claims up to $250,000 per claim. Commercial insurance is purchased for property and general liability risks not self-insured. The Group Insurance fund manages life,

health, and disability insurance programs. While the State purchases commercial insurance to cover losses for these programs, claims that exceed 100 percent of the annual carrier premiums are paid by the State, up to 110 percent of the medical premium, 110 percent for dental insurance, and 110 percent for life insurance. The insurance carrier then assumes the risk of loss for claims above these amounts. Risk management is discussed more fully in Note 8 to the financial statements.

Pension and Other Postemployment Benefits

The Public Employee Retirement System of Idaho (PERSI) administers a multiple-employer defined benefit retirement plan to provide retirement benefits for public employees in the State. Benefits are funded from members, employers, and earnings from investments. The funding policy provides for periodic employer contributions at actuarially determined rates that are adequate to accumulate sufficient assets to pay benefits when due. An actuarial valuation is performed annually. PERSI amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for PERSI permitted under *Idaho Code*, Section 59-1322, is 25 years. On an actuarial basis, the assets held currently fund 91.7 percent of the liability for all PERSI employers.

The State also funds or partially funds postemployment benefits relating to health, disability, and life insurance. Postretirement health insurance benefits are advance funded with employer contributions on an actuarially determined basis. Postretirement health insurance premiums are paid from the retiree's sick leave account. Additional information on the State's pension arrangements and postemployment benefits can be found in Notes 6 and 7 to the financial statements.

AWARDS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Idaho for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This is the seventh consecutive year that the State of Idaho achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. We are committed to this ongoing effort and intend to maintain a highly qualified and professional staff to make Idaho's certification possible.

The State also received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its Citizens' Report for the fiscal year ended June 30, 2003. This is the sixth year the State received this prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

One of the State's agencies, the Public Employee Retirement System of Idaho (PERSI) has prepared a Comprehensive Annual Financial Report for the System for the last thirteen years. PERSI should be recognized for this major accomplishment.

ACKNOWLEDGEMENTS

The State Controller's Office takes great pride in the preparation of this comprehensive report. It is an honor to recognize the professionalism and dedication demonstrated by financial managers and accountants of the state agencies and component units, along with staff within the State Controller's Office. In addition, the auditing staff at the Legislative Services Office must be recognized for true dedication and professionalism. Their independent and critical review of this CAFR truly serves the citizens of Idaho. Credit must also be given to Governor Dirk Kempthorne and other state leaders for their support in maintaining the highest standards of professionalism in the management of Idaho's finances.

Respectfully submitted,

Keith L. Johnson
Idaho State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

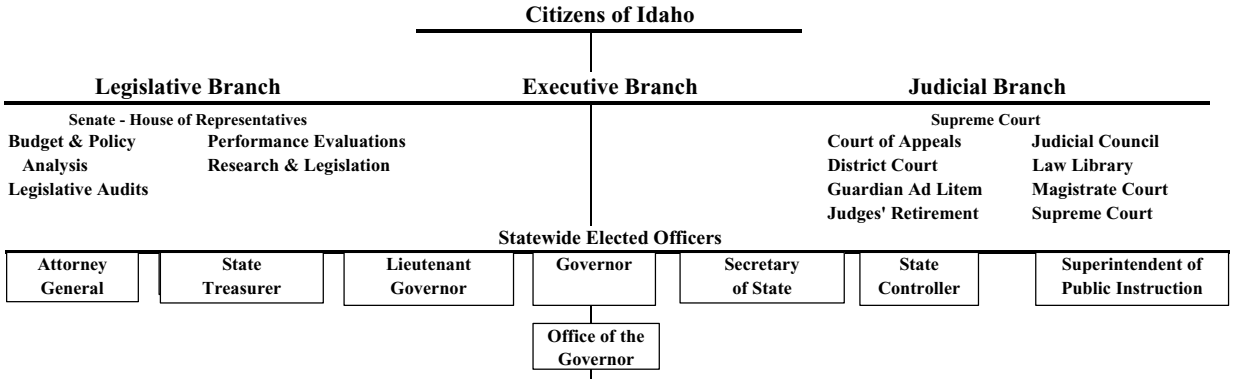
Nancy L. Zielke

President

Jeffrey P. Ernst

Executive Director

2004 Organization Chart
Idaho State Government
State Agencies Based on Gubernatorial Appointment Authority



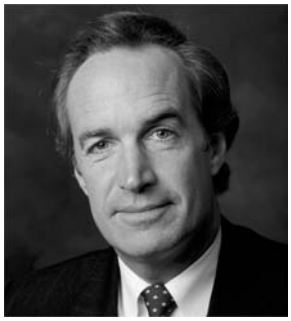
Education	Natural Resources	General Government	Health and Human Services	Economic Development	Transportation and Public Safety
Agencies with Executive Appointed by the Governor					
	Dept. of Water Resources Dept. of Environmental Quality Species Conservation	Dept. of Administration Div. of Financial Management Liquor Dispensary Lottery Comm. Tax Comm. Div. of Human Resources	Dept. of Health and Welfare Comm. on Aging Dept. of Veterans Services Comm. On Women's Programs	Athletic Commission Bureau of Occup. Licenses Dept. of Agriculture Dept. of Commerce Dept. of Finance Dept. of Insurance Dept. of Labor Div. of Building Safety Pub. Utilities Comm.	Dept. of Juvenile Corrections Idaho State Police Military Division Appellate Public Defender

Education	Natural Resources	General Government	Health and Human Services	Economic Development	Transportation and Public Safety
Agencies with Executive Appointed by a Board					
Board of Education Boise State University Comm. on the Arts Eastern Idaho Technical College Historical Society Idaho State University Lewis-Clark State College Professional-Technical Education Public Broadcasting School for the Deaf and the Blind State Library University of Idaho	Dept. of Fish and Game Dept. of Lands Dept. of Parks and Recreation Lava Hot Springs Foundation	Board of Tax Appeals Comm. on Idaho Code Comm. on State Uniform Laws Endowment Fund Investment Board Public Employee Retirement System	Comm. on Hispanic Affairs Comm. on Human Rights Public Health Districts Comm. For the Blind Vocational Rehabil.	Boards of: Accountancy, Dentistry, Geologists, Medicine, Nursing, Optometry, Engineers, Outfitters and Guides, Pharmacy, Public Works Contractor's License, and Veterinary Medicine. Brand Inspector Certified Shorthand Reporters Industrial Comm. Racing Comm. Real Estate Comm.	Correctional Industries Dept. of Correction Dept. of Transportation

Prepared by the Division of Financial Management. Formatting modified by the Office of the State Controller.

Elected Officials of the State of Idaho

KEITH L. JOHNSON
State Controller



DIRK KEMPTHORNE
Governor

JIM RISCH
Lieutenant Governor

BEN YSURSA
Secretary of State

RON CRANE
State Treasurer

LAWRENCE WASDEN
Attorney General

MARILYN HOWARD
Superintendent of Public Instruction

BRUCE NEWCOMB
Speaker, Idaho House of
Representatives

LINDA COPPLE TROUT
Chief Justice,
Idaho Supreme Court

BOB GEDDES
President, Pro Tempore
Idaho State Senate

Financial Section

Skiing in Beautiful Northern Idaho
Photo Courtesy of the Schweitzer Mountain Resort

SCHWEITZER MOUNTAIN RESORT

The history of Schweitzer Mountain Resort dates back more than a century when, as legend has it, a Swiss hermit took shelter at the bottom of the basin of the Cabinet, Selkirk, and Bitterroot mountain ranges. The word *Schweitzer*, in Swiss, means "Swiss man." Fun-seekers from Sandpoint began recreating on Schweitzer Mountain in the early 1960s. Today, Schweitzer is a year-round destination resort sharing its beautiful landscape with the town of Sandpoint and Lake Pend Oreille.

Over the past five years, Schweitzer has come of age. You can step into Schweitzer Village and enjoy on-mountain accommodations at the Selkirk and White Pine Lodges, as well as a great selection of restaurants, cafes, retail shopping, and expanded amenities. Schweitzer features a full-service instructional facility where skiers and riders can learn the basics or fine-tune technical skills.

Schweitzer lays claim to "Stella," Idaho's only high-speed, six-passenger chairlift. The lift, housed by a 19th Century cable carriage barn complete with steaming boilers and spinning gears, takes visitors back in time. Stella greatly improves guest access to more than 150 acres of Schweitzer terrain called The Northwest Territory.

Contemplating the Slope
Photo Courtesy of the Schweitzer Mountain Resort

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Idaho State Legislature

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November 24, 2004

Independent Auditor's Report

Honorable Dirk Kempthorne, Governor
Honorable Members of the Legislature
Honorable Keith Johnson, State Controller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Idaho as of and for the year ended June 30, 2004, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Endowment Fund Investment Board, State Lottery Commission, Public Employees Retirement System of Idaho, IDeal Idaho College Savings Program, University of Idaho, Idaho State University, Boise State University, Lewis and Clark State College, Eastern Idaho Technical College, Idaho Life and Health Insurance Guaranty Association, Petroleum Clean Water Trust Fund, and Idaho Building Authority. Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues of the fund financial statements as follows:

Government-Wide Financial Statements	Percent of Assets	Percent of Revenues
Primary Government - Governmental Activities	16.5%	4.3%
Primary Government - Business-Type Activities	71.5%	53.4%
Aggregate Discretely Presented Component Units	100%	100%

Fund Financial Statements:	Percent of Assets	Percent of Revenues
Governmental Funds		
Public School Endowment - Major Fund	100%	100%
Pooled Endowment - Major Fund	100%	100%
Proprietary Funds		
College and Universities - Major Fund	100%	100%
Aggregate Remaining Fund Information	76.6%	31.9%

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Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those agencies and component units, is based on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Idaho Life and Health Insurance Guaranty Association and the IDeal Idaho College Savings Program were not audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, are not covered by our reports in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the Notes to the Financial Statements, the State adopted Governmental Accounting Standards Board Statement (GASB) No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14.*

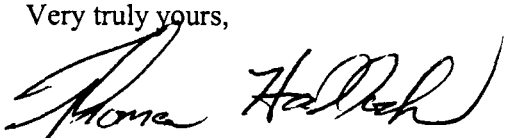
The management's discussion and analysis on pages 5 through 12, and the required supplementary information on pages 80 through 85, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining financial statements as listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

In accordance with *Government Auditing Standards*, we have issued our report dated November 24, 2004, on our consideration of the State of Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit. That report is issued under separate cover in the State's *Single Audit Report*.

Very truly yours,



Thomas Haddock, CPA
Legislative Audits

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the State of Idaho's financial performance provides an overview and analysis of the State's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the transmittal letter, which can be found preceding this narrative, and the State's financial statements, which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights

The assets of the State's primary government exceed its liabilities for the fiscal year ended June 30, 2004, by $6,524.8 million (reported as net assets). Of this amount, $571.5 million (unrestricted net assets) may be used to meet the State's ongoing obligations to citizens and creditors.

In fiscal year 2004, the State's total net assets increased by $471.3 million. Net assets of governmental activities increased by $444.3 million, while net assets of business-type activities increased by $27.0 million.

Fund Highlights

As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $1,569.0 million, with $948.4 million reserved for specific purposes and $620.6 million unreserved. This includes the General Fund's unreserved fund balance of $337.6 million.

Long-Term Debt

The State's long-term debt increased $111.8 million during the current fiscal year, from $427.1 million in fiscal year 2003 to $538.9 million in fiscal year 2004. The key factor in this increase was the issuance of revenue bonds by the Idaho State Building Authority and the colleges and universities for construction projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which include the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes additional required supplementary information and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. They report information about the State as a whole and present a long-term view of the State's finances using accounting methods similar to those used in the private sector. The statements are prepared using the flow of economic resource measurement focus and accrual basis of accounting, under which the current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

The *Statement of Net Assets* reports all of the State's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This Statement reports expenses and revenues in a format that focuses on the net cost of each function, allowing you to see which functions of the State draw upon the general revenues of the State and which functions contribute to the general revenues of the State.

The government-wide financial statements are divided into the following three categories:

Governmental activities encompass most of the State's basic services, such as general government, public safety and correction, health and human services, education, economic development, and natural resources. Revenues from taxes and federal grants finance most of these activities.

Business-type activities account for operations that function in a manner similar to private business, where all or a significant portion of their costs are recovered through user fees and charges to external customers. These activities primarily include higher education, unemployment benefit payments, loans to cities and counties for construction and improvement projects, and lottery ticket sales.

Discretely presented component units are organizations legally separate from but financially accountable to the State, or their relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. Discretely presented component units include the Petroleum Clean Water Trust Fund, the Idaho Life and Health Insurance Guaranty Association, and the college and university foundations.

Fund Financial Statements

The fund financial statements provide detailed information about the State's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to demonstrate compliance with finance-related legal requirements. The State's funds are divided into the following three categories:

Governmental funds account for most of the State's basic services and provide a detailed short-term view of the State's general government operations. They account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements and capabilities. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds include the General Fund, special revenue funds, and permanent funds.

Proprietary funds account for activities similar to for-profit enterprises, where the determination of net income is necessary for sound financial administration. Proprietary funds include enterprise and internal service funds. Enterprise funds report activities that provide supplies or services to the general public; internal service funds report activities that provide supplies and services for the State's programs and activities. Internal service funds are reported as governmental activities on the government-wide statements since their services predominantly benefit the State government. Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. As in the government-wide statements, proprietary fund financial statements use the accrual basis of accounting.

Fiduciary funds account for resources held for the benefit of parties outside the State government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's programs. These funds are reported using the accrual basis of accounting.

This report includes two schedules in the governmental fund financial statements that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities and balances reported on the appropriate government-wide statements (accrual accounting). By comparing the information presented for governmental funds with similar information presented in the government-wide financial statements, you may better understand the long-term impact of the State's near-term financing decisions.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the fiduciary fund financial statements.

Additional Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes the following:

- a budgetary comparison schedule reconciling the statutory operating activities and the generally accepted accounting principles operating activities and fund balances, as presented in the governmental fund financial statements;
- condition and maintenance data regarding the State's infrastructure that is reported using the modified basis; and
- schedules of funding progress and actuarial information in funding the State's obligation to provide pension benefits to certain employees.

Other Supplementary Information

Combining financial statements are presented after the required supplementary information to provide more detail for nonmajor special revenue, proprietary, and fiduciary funds. The total columns of these combining financial statements tie to the applicable combined fund financial statement.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Assets

Net assets measure the difference between what the State owns (assets) versus what the State owes (liabilities). Net assets may serve over time as a useful indicator of the State's financial position. The State's assets exceed liabilities by $6.5 billion for the most recent fiscal year. The State's combined net assets increased $471.3 million over the course of this fiscal year's operations. Net assets of governmental activities increased $444.3 million, and business-type activities net assets increased $27.0 million.

Net Assets
June 30, 2004 and 2003
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent
	2004	2003 (as restated)	2004	2003	2004	2003 (as restated)	Change
Current and Other Assets	$2,647,294	$1,793,052	$866,737	$847,846	$3,514,031	$2,640,898	33.1 %
Capital Assets	3,969,564	3,772,280	711,647	648,383	4,681,211	4,420,663	5.9 %
Total Assets	6,616,858	5,565,332	1,578,384	1,496,229	8,195,242	7,061,561	16.1 %
Long-Term Liabilities	335,482	279,699	355,413	301,583	690,895	581,282	18.9 %
Other Liabilities	889,482	337,983	90,107	88,795	979,589	426,778	129.5%
Total Liabilities	1,224,964	617,682	445,520	390,378	1,670,484	1,008,060	65.7 %
Net Assets:							
Invested in Capital Assets, Net of Related Debt	3,755,317	3,616,311	411,159	418,240	4,166,476	4,034,551	3.3 %
Restricted	1,230,263	1,044,170	556,540	572,682	1,786,803	1,616,852	10.5 %
Unrestricted	406,314	287,169	165,165	114,929	571,479	402,098	42.1 %
Total Net Assets	**$5,391,894**	**$4,947,650**	**$1,132,864**	**$1,105,851**	**$6,524,758**	**$6,053,501**	7.8 %

The largest component of the State's net assets, $4,166.5 million or 63.9 percent, reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment), net of accumulated depreciation, and less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending.

Restricted net assets are the next largest component, comprising 27.4 percent ($1,786.8 million). These resources are subject to restrictions placed on them by external parties such as creditors, grantors, or contributors; or by state law through constitutional provisions or enabling legislation as to how they can be used.

The remaining 8.7 percent ($571.5 million) of net assets represents unrestricted net assets, which may be used at the State's discretion but often have limitations on use based on state statutes.

At the end of the current fiscal year, the State is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Changes in Net Assets

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

Changes in Net Assets
For the Fiscal Years Ended June 30, 2004 and 2003
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent
	2004	2003 (as restated)	2004	2003	2004	2003 (as restated)	Change
Revenues							
Program Revenues							
Charges for Services	$714,550	$672,014	$587,139	$555,771	$1,301,689	$1,227,785	6.0 %
Operating Grants and Contributi	1,784,116	1,461,507	222,013	198,007	2,006,129	1,659,514	20.9 %
Capital Grants and Contribution	3,284	1,882	23,833	22,515	27,117	24,397	11.1 %
General Revenues							
Sales Tax	1,039,746	860,527			1,039,746	860,527	20.8 %
Individual and Corporate Taxes	991,520	922,790			991,520	922,790	7.4 %
Fuel Tax	215,096	223,515			215,096	223,515	(3.8)%
Other Taxes	182,606	160,935			182,606	160,935	13.5 %
Tobacco Settlement	23,004	23,772			23,004	23,772	(3.2)%
Non-Restricted Grants	50,007	0			50,007	0	100.0 %
Unrestricted Investment Earning	12,020	13,457			12,020	13,457	(10.7)%
Total Revenues	5,015,949	4,340,399	832,985	776,293	5,848,934	5,116,692	14.3 %
Expenses							
General Government	504,727	458,586			504,727	458,586	10.1 %
Public Safety and Correction	241,550	238,050			241,550	238,050	1.5 %
Health and Human Services	1,507,865	1,347,997			1,507,865	1,347,997	11.9 %
Education	1,287,879	1,252,020			1,287,879	1,252,020	2.9 %
Economic Development	600,341	587,152			600,341	587,152	2.2 %
Natural Resources	186,594	170,761			186,594	170,761	9.3 %
Interest Expense	16,556	18,911			16,556	18,911	(12.5)%
College and University			699,674	667,324	699,674	667,324	4.8 %
Unemployment Compensation			164,950	179,423	164,950	179,423	(8.1)%
Loan			913	1,072	913	1,072	(14.8)%
Nonmajor Enterprise Funds			166,628	150,401	166,628	150,401	10.8 %
Total Expenses	4,345,512	4,073,477	1,032,165	998,220	5,377,677	5,071,697	6.0 %
Increase (Decrease) in Net Assets before Transfers	670,437	266,922	(199,180)	(221,927)	471,257	44,995	947.4 %
Transfers	(226,193)	(223,729)	226,193	223,729	0	0	0%
Change in Net Assets	444,244	43,193	27,013	1,802	471,257	44,995	947.4 %
Net Assets, Beginning of Year, as Restated	4,947,650	4,904,457	1,105,851	1,104,049	6,053,501	6,008,506	0.7 %
Net Assets, End of Year	**$5,391,894**	**$4,947,650**	**$1,132,864**	**$1,105,851**	**$6,524,758**	**$6,053,501**	7.8 %

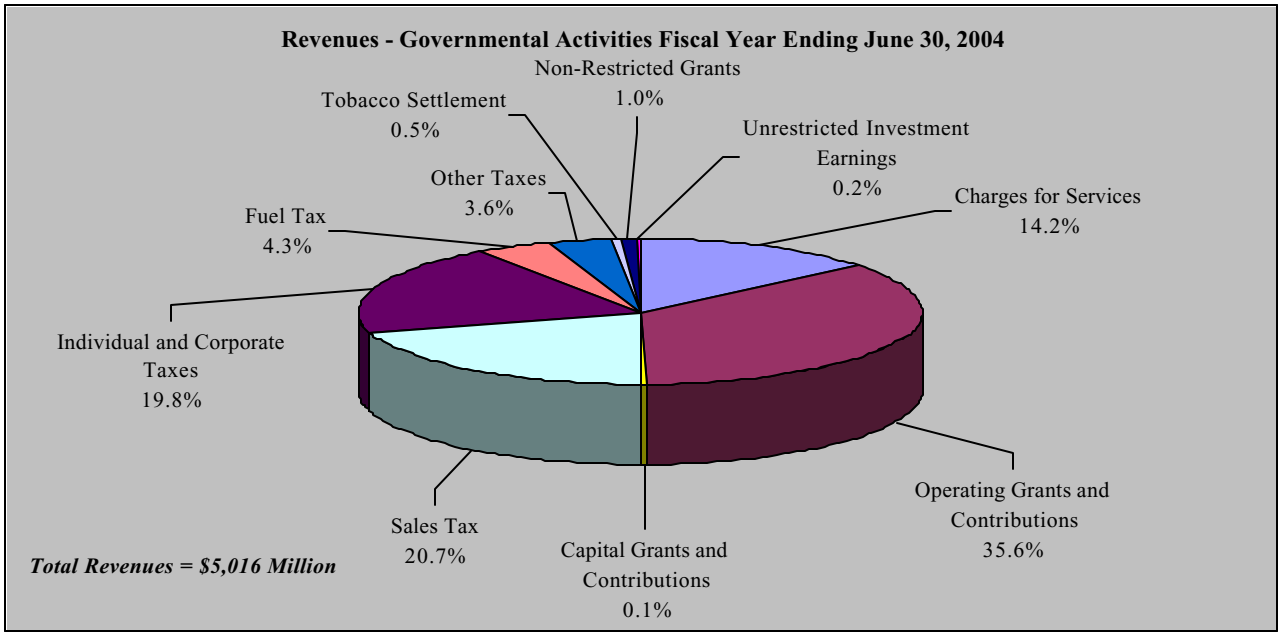
The Total Percent Change column shows the percentage change in operations from fiscal year 2003 to 2004 for each line item. The reader should be cautious when using this column to evaluate the overall change in net assets. Although a line may show a large percentage change (i.e., 11.1% for Capital Grants and Contributions, $2.7 million), it may not have as significant of an affect on the overall change in net assets as a change in a more material line item with a smaller percentage change (i.e., 6.0% for Charges and Services, $73.9 million).

The State's overall financial position improved during the fiscal year, as evidenced by the $471.3 million increase in net assets. Key elements of this increase include a 20.9 percent increase ($346.6 million) in operating grants and contributions, which mainly benefited health, transportation, and education. The State also received a non-restricted federal grant of $50.0 million and a $30.0 million Medicaid match rate

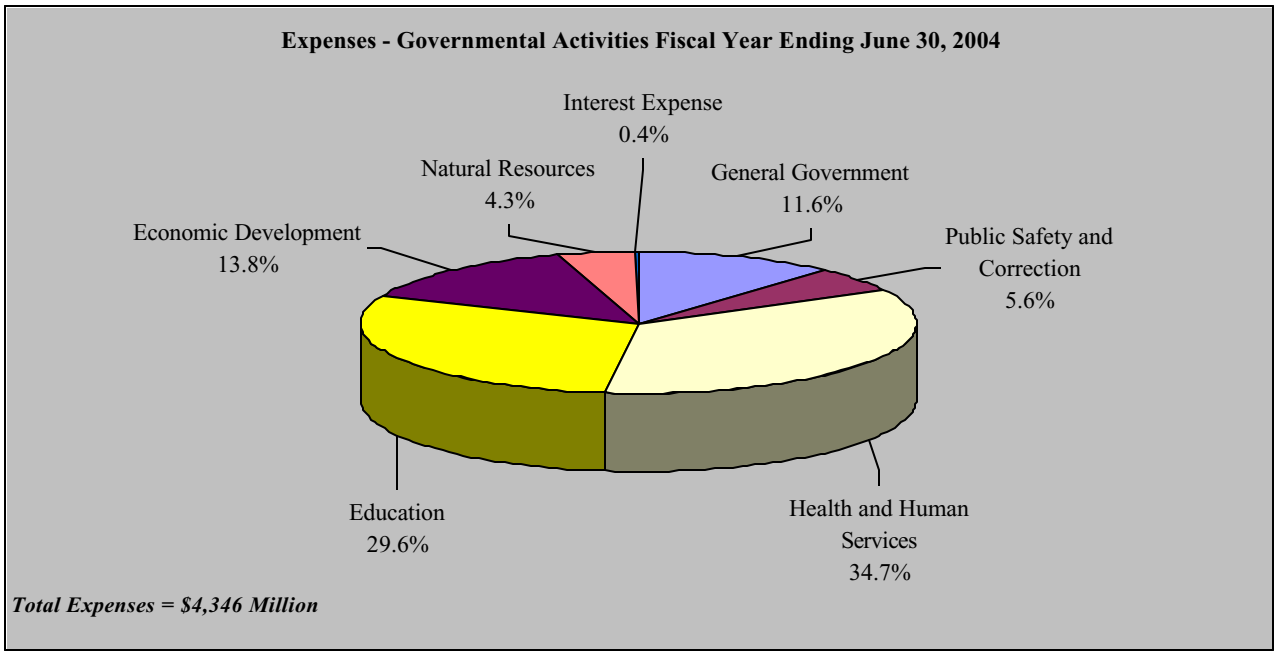
reduction provided by the *Jobs and Growth Tax Relief Reconciliation Act*. In addition, revenues from sales tax increased 20.8 percent ($179.2 million) mainly due to increased consumer spending and a one-cent sales tax increase from 5 to 6 percent that went into effect May 1, 2003. The revenue increases were offset to a degree by some increased expenses. The most significant change in expenses was an increase of 11.9 percent ($159.9 million) for Health and Human Services primarily related to medical and income assistance payments.

Governmental Activities:

The following chart depicts revenues of the governmental activities for the fiscal year:


Revenues - Governmental Activities Fiscal Year Ending June 30, 2004
Non-Restricted Grants 1.0%
Tobacco Settlement 0.5%
Unrestricted Investment Earnings 0.2%
Other Taxes 3.6%
Charges for Services 14.2%
Fuel Tax 4.3%
Individual and Corporate Taxes 19.8%
Operating Grants and Contributions 35.6%
Sales Tax 20.7%
Capital Grants and Contributions 0.1%
Total Revenues = $5,016 Million

The following chart depicts expenses of the governmental activities for the fiscal year:


Expenses - Governmental Activities Fiscal Year Ending June 30, 2004
Interest Expense 0.4%
Natural Resources 4.3%
General Government 11.6%
Economic Development 13.8%
Public Safety and Correction 5.6%
Education 29.6%
Health and Human Services 34.7%
Total Expenses = $4,346 Million

Business-Type Activities:

Business-type activities net assets increased by $27.0 million in fiscal year 2004. The largest changes were seen in the following funds:

- College and University net assets increased by $37.7 million primarily due to increases in federal and private grants ($15.4 million), fees ($9.3 million), and General Fund appropriations, shown as Transfers In ($9.8 million).
- Unemployment Compensation saw a decrease in net assets of $35.1 million due to the need to use cash reserves to pay the costs of increasing unemployment benefit payments.
- Loan funds saw an increase in net assets of $20.0 million primarily due to federal grants received by the State for lending to municipalities to make improvements to wastewater and drinking water systems.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of $1,569.0 million, an increase of $296.3 million in comparison with the prior fiscal year. Of this amount, $620.6 million (39.6 percent) constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds, but may be limited by state statutes. The remainder of the fund balance ($948.4 million) is reserved to indicate that it is not available for new spending because it has already been reserved for various commitments, such as liquidation of purchase orders and contracts of the prior period and permanent trusts held for education.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance was $337.6 million and reserved fund balance was $33.0 million. Total fund balance increased $148.8 million (67 percent) during the fiscal year, primarily as a result of increased sales tax revenues of $176.0 million, increased individual and corporate tax revenues of $93.2 million, and an increase in grant revenues of $55.9 million, due mainly to the $50.0 million federal grant provided by the *Jobs and Growth Tax Relief Reconciliation Act*.

Health and Welfare's fund balance declined from fiscal year 2003's fund balance of $0.3 million to a negative fund balance of $12.1 million in fiscal year 2004. Although revenues increased by $130.5 million, the majority of which can be attributed to an increase in federal grants of $127.6 million, payments for Medicaid and other assistance payments increased by $148.8 million.

Transportation's fund balance increased during the current fiscal year by $12.2 million due mainly to an increase in federal highway grants of $18.6 million.

Public School Endowment's fund balance increased by $75.4 million in fiscal year 2004, due to strong investment income of $77.2 million (compared to fiscal year 2003's investment income of $7.7 million).

Pooled Endowment's fund balance increased by $31.2 million in fiscal year 2004, attributable to investment income of $36.6 million (compared to fiscal year 2003's investment income of $3.9 million).

Nonmajor special revenue fund balances increased during the fiscal year by $41.0 million largely due to bonds and notes issued by the Building Authority ($64.8 million) for various building projects.

Proprietary Funds

Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. These funds are discussed in Business-Type Activities, above.

GENERAL FUND BUDGETARY HIGHLIGHTS

With the help of the receipt of $50.0 million in federal one-time funds, the Legislature was able to increase the fiscal year 2004 General Fund appropriation by 2.2 percent. The key factor in the Legislature's approach to the fiscal year 2004 budget was to maximize the ending balance to carry over into subsequent years due to the sunset of the temporary one-cent sales tax increase, which will occur the end of fiscal year 2005. Toward that end, the Legislature approved a spending plan, which was projected to leave an estimated year-end balance of $72.5 million for fiscal year 2004.

The variance between the original budget and the final budget in the expenditures section of the General Fund Budgetary Comparison Schedule is $11.8 million, a 0.5 percent increase in original expenditure appropriations, as explained above. The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations, Governor's holdbacks, Board of Examiners reductions, object transfers, actual transfers, and receipts to the appropriation. The variation between the final budget

and actual spending was a favorable $121.6 million (or 5.3 percent). This was primarily due to the above Legislative actions and a conservative fiscal policy.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2004, the State had $4,681.2 million (net of accumulated depreciation) invested in a broad range of capital assets, as can be seen in the table below. Depreciation charges for this fiscal year totaled $76.8 million.

Capital Assets as of June 30, 2004 and 2003

(Net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	**2003** (as restated)	**2004**	**2003**	**2004**	**2003** (as restated)
Land	$881,904	$858,534	$36,267	$27,228	$918,171	$885,762
Construction in Progress	625,147	484,053	74,647	59,509	699,794	543,562
Infrastructure--not Depreciated	1,733,104	1,690,918			1,733,104	1,690,918
Historial Art and Collections	2,073	2,279	2,180	2,193	4,253	4,472
Buildings and Improvements	250,597	255,303	484,246	444,212	734,843	699,515
Improvements Other Than Buildings	23,249	21,310	24,037	25,386	47,286	46,696
Machinery, Equipment, and Other	117,844	119,634	90,271	89,855	208,115	209,489
Infrastructure--Depreciated	335,646	340,249			335,646	340,249
Total	**$3,969,564**	**$3,772,280**	**$711,648**	**$648,383**	**$4,681,212**	**$4,420,663**

The total increase in investment in capital assets for the current fiscal year (including additions and deductions) was $260.5 million, or 5.9 percent. This year's major additions include $167.4 million spent for infrastructure assets, which includes construction in progress ($126.4 million), roadways ($20.2 million), rights-of-way ($19.1 million), and bridges and ports of entry ($1.7 million).

The State uses the traditional method of depreciation for its 1,648 bridges and 45 rest areas or ports of entry. As allowed by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* the State has adopted the modified approach for reporting roads. Under this alternative method, certain maintenance and preservation costs are expensed and depreciation expense is not reported. Approximately 11,819 lane miles of roads are accounted for under the modified approach. The State manages its roadway network using its Pavement Management System to monitor road surface condition. The pavement surface condition rating is a numerical condition scale ranging from 0.0 (extremely poor) to 5.0 (perfect). A roadway surface is considered very poor under this approach at less than 2.0. The State's established condition level is to have no more than 18 percent of road surfaces in poor or very poor condition. The latest condition assessment rating showed that the State had 84 percent of its road surfaces in good or fair condition, down from 85 percent in condition assessment year 2002 and up from 82 percent in 2001. During fiscal year 2004, the State spent $81.0 million to maintain Idaho's road surfaces, up from $78.1 million spent during fiscal year 2003. More detailed information about the State's capital assets is presented in Notes 1 and 5 to the financial statements and in required supplementary information, which follows the notes.

Long-Term Debt

Article VIII, Section 1, of the *Idaho Constitution* amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State of Idaho.

At fiscal year-end 2004, the State had $538.9 million in bonds and notes outstanding versus $427.1 million the prior year, an increase of 26 percent. New debt resulted from Idaho State University, Boise State University, and the Idaho State Building Authority issuing revenue bonds in the amounts of $35.9 million, $31.5 million, and $64.8 million, respectively, for various projects.

The credit rating for the State of Idaho did not change during the year. Since the State has no general obligation debt outstanding, Moody's, an investor rating service, has assigned the State its top issuer rating of MIG1 with a stable outlook. Per Moody, Idaho's credit quality is based on the conclusion that there is strong protection by established cash flows, superior liquidity support, or demonstrated broad based access to the market for refinancing. More detailed information about the State's long-term debt is presented in Notes 1 and 11 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGET

The State experienced an improving economy during fiscal year 2004 and expects the same for fiscal year 2005. The fiscal year 2005 General Fund budget is based on an expected revenue growth of 5.4 percent, the median estimate of the Economic Outlook and Revenue Assessment Committee. This is also the second and final year of the temporary one-cent sales tax increase. With that sunset in mind, which will reduce General Fund revenues about $180 million in fiscal year 2006, the Legislature set about putting a spending plan in place for fiscal year 2005, which will leave the largest ending balance possible to help offset that impact.

The fiscal year 2005 budget includes basic maintenance level costs for personnel and some formula increases for public schools, along with some salary and operational improvements.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to show the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the State Controller, 700 West State Street, P.O. Box 83720, Boise, ID 83720-0011, (208) 334-3150.

Basic Financial Statements

A Great Run
Photo Courtesy of the Brundage Mountain Resort

BRUNDAGE MOUNTAIN RESORT

Brundage Mountain Resort has been offering delightful skiing experiences for 43 years. Just two hours north of Boise, Brundage Mountain overlooks Payette Lake and the mountain town of McCall nestled on the southern shore. From the top of the mountain, you can see the nearby Salmon River Mountains, Oregon's Eagle Cap Wilderness, and the famed Seven Devils towering over Hells Canyon, America's deepest river gorge. Brundage Mountain is famous for its plentiful snow and acres of powder glades, combined with miles of beautifully groomed slopes.

Steady growth in skier visits has Brundage poised to begin significant expansion plans with new lifts, runs, and facilities. The mountain presently boasts 1,800 vertical feet, 1,340 lift-served acres, one high-speed quad chairlift, two triple chairlifts, and two surface lifts. The Resort has three food service facilities, a rental and retail shop, ski school, and guest services office. Many think the Resort's best facility is its drive-up day care and children's ski school building.

Brundage offers scenic chairlift rides and lift-served mountain biking on over 15 miles of hand-built single-track mountain bike trails during the summer months. The lodge becomes an attractive convention and meeting facility during the off-season with service from Brundage's own catering staff. Scores of couples have been married at Brundage at the top of the mountain or in the big, grassy amphitheater in the base area.

Powder Perfect
Photo Courtesy of the Brundage Mountain Resort

Statement of Net Assets
June 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash Equity with Treasurer	$583,670,808	$72,066,304	$655,737,112
Cash and Cash Equivalents	24,581,925	171,970,915	196,552,840
Investments	886,135,769	164,955,493	1,051,091,262
Securities Lending Collateral	542,371,174		542,371,174
Accounts Receivable, Net	52,212,136	107,137,170	159,349,306
Taxes Receivable, Net	269,911,909		269,911,909
Internal Balances	(1,796,793)	1,796,793	
Due from Other Entities	154,187,684		154,187,684
Due from Primary Government			
Due from Component Unit		1,812,278	1,812,278
Inventories and Prepaid Items	34,455,458	14,809,060	49,264,518
Loans and Notes Receivable, Net	6,765,781	132,976,137	139,741,918
Other Assets	6,542,276	11,314,245	17,856,521
Investments Held in Trust by Others		71,171,461	71,171,461
Restricted Assets:			
Cash and Cash Equivalents	30,980,072	88,982,630	119,962,702
Investments	57,275,852	27,744,183	85,020,035
Capital Assets:			
Nondepreciable	3,242,227,588	113,093,741	3,355,321,329
Depreciable, Net	727,336,177	598,553,968	1,325,890,145
Total Assets	$6,616,857,816	$1,578,384,378	$8,195,242,194
LIABILITIES			
Accounts Payable	$88,806,056	$25,735,528	$114,541,584
Medicaid Payable	134,608,924		134,608,924
Due to Other Entities	10,875		10,875
Due to Primary Government			
Deferred Revenue	30,759,694	19,318,385	50,078,079
Deposits	7,376,509	2,846,207	10,222,716
Obligations Under Securities Lending	542,371,174		542,371,174
Other Accrued Liabilities	85,548,560	42,206,939	127,755,499
Long-Term Liabilities:			
Due Within One Year	61,708,483	30,997,920	92,706,403
Due in More Than One Year	273,773,464	324,415,119	598,188,583
Total Liabilities	1,224,963,739	445,520,098	1,670,483,837
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,755,317,061	411,159,218	4,166,476,279
Restricted for:			
Claims and Judgments	20,154,476		20,154,476
Debt Service	63,641,322		63,641,322
Intergovernmental Revenue Sharing	42,313,022		42,313,022
Transportation	124,757,680		124,757,680
Regulatory	42,723,970		42,723,970
Natural Resources and Recreation	69,148,427	193,984,051	263,132,478
Unemployment Compensation		227,721,137	227,721,137
Permanent Trust - Expendable	63,291,875	38,660,950	101,952,825
Permanent Trust - Nonexpendable	733,118,235	71,174,313	804,292,548
Other Purposes	71,113,899	25,000,000	96,113,899
Unrestricted	406,314,110	165,164,611	571,478,721
Total Net Assets	5,391,894,077	1,132,864,280	6,524,758,357
Total Liabilities and Net Assets	$6,616,857,816	$1,578,384,378	$8,195,242,194

The accompanying notes are an integral part of the financial statements.

Component Units		
Petroleum Clean Water Trust Fund	Life and Health Insurance Guaranty	College and University Foundation
$4,196,000	$6,125,670	$19,073,873
31,046,558	2,358,157	245,249,669
550,842		
4,000,000		
		1,405,914
		1,514,123
	13,555	17,660,397
		8,728,082
		831,355
		22,791,018
	496	11,888,542
$39,793,400	$8,497,878	$329,142,973
	$401,116	$1,120,042
		1,812,278
	9,154	2,190,580
		84,267,485
$194,447		5,736,345
1,597,000	9,003	5,271,759
6,075,066		39,857,098
7,866,513	419,273	140,255,587
	496	14,804,536
		39,388,019
		139,322,648
31,926,887	8,078,109	(4,627,817)
31,926,887	8,078,605	188,887,386
$39,793,400	$8,497,878	$329,142,973

The accompanying notes are an integral part of the financial statements.

Statement of Activities
For the Fiscal Year Ended June 30, 2004

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS				
Primary Government				
Governmental Activities				
General Government	$504,727,017	$288,591,903	$45,690,495	$2,750,808
Public Safety and Correction	241,549,586	22,911,684	14,113,266	393,000
Health and Human Services	1,507,864,893	71,502,602	1,041,272,171	
Education	1,287,879,326	9,287,789	191,510,197	32,300
Economic Development	600,340,895	198,642,807	313,774,263	
Natural Resources	186,594,242	123,613,521	177,755,527	107,963
Interest Expense	16,556,080			
Total Governmental Activities	4,345,512,039	714,550,306	1,784,115,919	3,284,071
Business-Type Activities				
College and University	699,673,755	250,416,666	205,408,963	23,832,542
Unemployment Compensation	164,949,796	130,789,263	5,207,457	
Loan	913,068	6,077,120	11,396,566	
Nonmajor Enterprise Funds	166,628,253	199,855,661		
Total Business-Type Activities	1,032,164,872	587,138,710	222,012,986	23,832,542
Total Primary Government	$5,377,676,911	$1,301,689,016	$2,006,128,905	$27,116,613
Component Units				
Petroleum Clean Water Trust Fund	$2,510,039	$1,336,330		
Life and Health Insurance Guaranty	577,285	248,170		
College and University Foundation	50,000,525		$61,618,192	
Total Component Units	$53,087,849	$1,584,500	$61,618,192	

General Revenues
- Sales Tax
- Individual and Corporate Taxes
- Fuel Tax
- Other Taxes
- Tobacco Settlement
- Grants Not Restricted to Specific Programs
- Unrestricted Investment Earnings

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year, as Restated

Net Assets - End of Year

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	Petroleum Clean Water Trust Fund	Life and Health Insurance Guaranty	College and University Foundation
($167,693,811)		($167,693,811)			
(204,131,636)		(204,131,636)			
(395,090,120)		(395,090,120)			
(1,087,049,040)		(1,087,049,040)			
(87,923,825)		(87,923,825)			
114,882,769		114,882,769			
(16,556,080)		(16,556,080)			
(1,843,561,743)		(1,843,561,743)			
	($220,015,584)	(220,015,584)			
	(28,953,076)	(28,953,076)			
	16,560,618	16,560,618			
	33,227,408	33,227,408			
	(199,180,634)	(199,180,634)			
(1,843,561,743)	(199,180,634)	(2,042,742,377)			
			($1,173,709)		
				($329,115)	
					$11,617,667
			(1,173,709)	(329,115)	11,617,667
1,039,745,939		1,039,745,939			
991,520,441		991,520,441			
215,096,062		215,096,062			
182,605,549		182,605,549			
23,004,019		23,004,019			
50,007,484		50,007,484			
12,019,873		12,019,873			
(226,193,456)	226,193,456				
2,287,805,911	226,193,456	2,513,999,367			
444,244,168	27,012,822	471,256,990	(1,173,709)	(329,115)	11,617,667
4,947,649,909	1,105,851,458	6,053,501,367	33,100,596	8,407,720	177,269,719
$5,391,894,077	$1,132,864,280	$6,524,758,357	$31,926,887	$8,078,605	$188,887,386

The accompanying notes are an integral part of the financial statements.

MAJOR GOVERNMENTAL FUNDS account for the State's operating and financing activities. The following provides a brief description of the major governmental funds.

The GENERAL FUND accounts for all financial resources except those required to be accounted for in other funds.

The HEALTH AND WELFARE FUND accounts for revenues and expenditures associated with administering public assistance, medical care, foster care, child support enforcement, and other relief to the eligible citizens of Idaho. Funding is provided from the General Fund, federal grants, dedicated user fees, and various other sources.

The TRANSPORTATION FUND accounts for revenues and expenditures associated with highway construction and maintenance. Funding is provided from motor vehicle related taxes and user fees, as well as various federal highway administration funds.

Nonmajor special revenue funds are discussed on page 89.

The PUBLIC SCHOOL ENDOWMENT FUND accounts for lands granted to the State by the federal government, known as public school endowment land, and the sale or lease of such lands. The principal in the fund is perpetual with the earnings used to support education.

The POOLED ENDOWMENT FUND accounts for the administration and investment of monies held for the benefit of certain state institutions.

Balance Sheet
Governmental Funds
June 30, 2004

	General	Health and Welfare	Transportation	Public School Endowment
ASSETS				
Cash Equity with Treasurer	$219,120,152	$25,000,763	$86,625,690	$83,847
Cash and Cash Equivalents	486,227	100,475	2,144,706	7,069,726
Investments	26,071,652	1,660,446	41,699,166	505,697,757
Securities Lending Collateral	477,559,054			43,927,830
Accounts Receivable, Net	12,594,789	12,394,845	3,148,299	11,537,583
Taxes Receivable, Net	245,724,526	154,322	21,257,375	
Interfund Receivables	529,103	15,350	6,275	
Due from Other Entities		111,479,409	22,363,300	
Inventories and Prepaid Items	5,013,750	3,036,535	13,602,495	
Loans and Notes Receivable, Net				
Other Assets	104,862	16,234	345,294	1,098,694
Restricted Assets:				
Cash and Cash Equivalents		3,736,694		
Investments		296,891		
Total Assets	$987,204,115	$157,891,964	$191,192,600	$569,415,437
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$27,042,591	$13,715,724	$18,524,083	$8,803,836
Medicaid Payable		134,608,924		
Interfund Payables	215,039	2,012,604	394,770	508,329
Due to Other Entities				
Deferred Revenue	95,534,495	7,158,371	6,215,267	
Deposits	650,715	2,538,849	1,500,289	
Obligations Under Securities Lending	477,559,054			43,927,830
Other Accrued Liabilities	15,620,481	9,942,243	39,800,511	
Total Liabilities	616,622,375	169,976,715	66,434,920	53,239,995
Fund Balances				
Reserved for:				
Bond Retirement				
Encumbrances	27,696,732	600,177	13,727,195	
Inventories and Prepaid Items	5,013,750	3,036,535	13,602,495	
Noncurrent Receivables	301,499			
Permanent Trusts				516,096,688
Other Purposes		4,033,586		
Unreserved, Reported in:				
General Fund	337,569,759			
Special Revenue Funds		(19,755,049)	97,427,990	
Permanent Funds				78,754
Total Fund Balances	370,581,740	(12,084,751)	124,757,680	516,175,442
Total Liabilities and Fund Balances	$987,204,115	$157,891,964	$191,192,600	$569,415,437

The accompanying notes are an integral part of the financial statements.

Pooled Endowment	Nonmajor Special Revenue	Total
$2,421	$193,984,315	$524,817,188
3,361,110	9,835,885	22,998,129
240,420,223	39,733,031	855,282,275
20,884,290		542,371,174
5,485,229	6,711,742	51,872,487
	2,775,686	269,911,909
	2,854,253	3,404,981
	20,344,975	154,187,684
	10,478,795	32,131,575
	6,765,781	6,765,781
522,344	739,142	2,826,570
	27,243,378	30,980,072
	56,978,961	57,275,852
$270,675,617	$378,445,944	$2,554,825,677
$4,185,535	$16,467,507	$88,739,276
		134,608,924
241,671	2,520,709	5,893,122
	10,875	10,875
	16,197,316	125,105,449
	2,616,900	7,306,753
20,884,290		542,371,174
	16,381,331	81,744,566
25,311,496	54,194,638	985,780,139
	63,641,322	63,641,322
	17,445,574	59,469,678
	10,478,795	32,131,575
	7,944,394	8,245,893
245,364,121		761,460,809
	19,454,339	23,487,925
		337,569,759
	205,286,882	282,959,823
		78,754
245,364,121	324,251,306	1,569,045,538
$270,675,617	$378,445,944	$2,554,825,677

The accompanying notes are an integral part of the financial statements.

Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Assets June 30, 2004

Total Fund Balances - Governmental Funds		$1,569,045,538
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:		
Land	$881,903,842	
Construction in Progress	625,146,831	
Infrastructure	2,188,822,174	
Historical Art and Collections	2,022,602	
Buildings and Improvements	451,371,143	
Improvements Other Than Buildings	32,270,335	
Machinery, Equipment, and Other	281,950,048	
Accumulated Depreciation	(497,257,677)	
Total Capital Assets		3,966,229,298
Some of the State's revenue will be collected after year-end but is not available soon enough to pay for the current period's expenditures and therefore is deferred in the funds.		104,325,230
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		50,948,957
Bonds issue costs are reported as current expenditures in the funds. However, these costs are deferred on the Statement of Net Assets.		3,459,819
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of the following:		
Capital Leases Payable	(2,907,276)	
Compensated Absences Payable	(40,563,337)	
Bonds and Notes Payable	(211,031,230)	
Accrued Interest on Bonds	(3,109,197)	
Claims and Judgments	(44,128,960)	
Other Long-Term Liabilities	(374,765)	
Total Long-Term Liabilities		(302,114,765)
Net Assets - Governmental Activities		$5,391,894,077

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Health and Welfare	Transportation	Public School Endowment
REVENUES				
Sales Tax	$1,035,648,340			
Individual and Corporate Taxes	997,453,573			
Other Taxes	62,735,096	$1,630,834	$209,122,418	
Licenses, Permits, and Fees	29,846,320	4,324,505	102,840,206	
Sale of Goods and Services	69,043,410	68,276,715	4,640,781	$46,848,006
Grants and Contributions	58,221,332	1,035,863,913	228,365,446	
Investment Income	13,190,646	171,060	1,465,366	77,157,301
Tobacco Settlement	22,848,142			
Other Income	25,505,119	4,522,433	1,085,887	
Total Revenues	2,314,491,978	1,114,789,460	547,520,104	124,005,307
EXPENDITURES				
Current:				
General Government	87,253,039			
Public Safety and Correction	175,894,772			
Health and Human Services	18,495,329	1,450,240,278		
Education	1,094,457,881			
Economic Development	17,334,040		120,971,306	
Natural Resources	31,461,984			10,849,844
Capital Outlay	86,259,594	6,343,743	263,040,815	
Debt Service	7,874,779	2,096		
Intergovernmental Revenue Sharing	151,256,611	35,512,008	142,128,762	
Total Expenditures	1,670,288,029	1,492,098,125	526,140,883	10,849,844
Revenues Over (Under) Expenditures	644,203,949	(377,308,665)	21,379,221	113,155,463
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Discount on Bonds Issued				
Sale of Capital Assets	151,723	17,226	5,791,338	17,315
Transfers In	139,220,927	364,927,452		
Transfers Out	(634,782,656)	(22,079)	(14,956,585)	(37,750,000)
Total Other Financing Sources (Uses)	(495,410,006)	364,922,599	(9,165,247)	(37,732,685)
Net Change in Fund Balances	148,793,943	(12,386,066)	12,213,974	75,422,778
Fund Balances - Beginning of Year, as Restated	221,787,797	301,315	112,543,706	440,752,664
Fund Balances - End of Year	$370,581,740	($12,084,751)	$124,757,680	$516,175,442

The accompanying notes are an integral part of the financial statements.

Pooled Endowment	Nonmajor Special Revenue	Total
	$4,800,000	$1,040,448,340
		997,453,573
	124,461,460	397,949,808
	103,311,537	240,322,568
$17,044,637	46,437,988	252,291,537
	393,972,137	1,716,422,828
36,609,418	7,123,859	135,717,650
		22,848,142
	16,544,336	47,657,775
53,654,055	696,651,317	4,851,112,221
	35,622,705	122,875,744
	43,522,694	219,417,466
		1,468,735,607
	185,028,113	1,279,485,994
	169,006,752	307,312,098
5,084,659	116,372,876	163,769,363
	80,488,628	436,132,780
	8,252,616	16,129,491
	56,800,620	385,698,001
5,084,659	695,095,004	4,399,556,544
48,569,396	1,556,313	451,555,677
	64,795,000	64,795,000
	(863,315)	(863,315)
	931,611	6,909,213
	49,032,548	553,180,927
(17,355,000)	(74,416,961)	(779,283,281)
(17,355,000)	39,478,883	(155,261,456)
31,214,396	41,035,196	296,294,221
214,149,725	283,216,110	1,272,751,317
$245,364,121	$324,251,306	$1,569,045,538

The accompanying notes are an integral part of the financial statements.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -- Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Governmental Funds		$296,294,221
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense. Capital outlays exceeded depreciation expense in the current year by the following amount:		
Capital Outlay	$233,984,849	
Depreciation Expense	(35,830,090)	
		198,154,759
Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities but only proceeds from sales are reported in the governmental funds.		(1,226,930)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		6,724,753
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current year, the following proceeds were received:		
Bonds Issued	(64,795,000)	
Discount on Bonds Issued	863,315	
		(63,931,685)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Capital Leases	511,339	
Bond Principal	5,638,795	
Bond Issue Costs	1,165,698	
		7,315,832
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. In the current year, these amounts consist of:		
Accrued Interest	(1,529,849)	
Compensated Absences	(1,074,595)	
Other Long-Term Liabilities	(915,406)	
		(3,519,850)
Internal service funds are reported separately from governmental funds in the fund statements. In the government-wide statements, internal service funds are included with governmental activities.		4,433,068
Change in Net Assets - Governmental Activities		$444,244,168

The accompanying notes are an integral part of the financial statements.

MAJOR PROPRIETARY FUNDS account for the operations of state agencies that provide goods or services to the general public and finance their operations through user charges. The following provides a brief description of the major proprietary funds.

The COLLEGE AND UNIVERSITY FUND accounts for the financial position and operations of the State's colleges and universities.

The UNEMPLOYMENT COMPENSATION FUND pays unemployment claims to eligible recipients and is funded through employer contributions, employer reimbursements, and federal grants.

Nonmajor enterprise funds are discussed on page 103.
Internal service funds are discussed on page 107.

The LOAN FUND provides loans to Idaho municipalities to make improvements to their wastewater and drinking water systems. Funds are loaned to cities and counties for construction and improvement projects. As the loans are paid back to the State, new loans are made to other cities and counties.

Statement of Net Assets
Proprietary Funds
June 30, 2004

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
ASSETS				
Current Assets				
Cash Equity with Treasurer	$34,844,205	$922,973	$3,849,731	$32,449,395
Cash and Cash Equivalents	66,294,962	105,444,406		231,547
Investments	20,802,338	4,512,367		
Accounts Receivable, Net	62,889,837	42,344,905		1,902,428
Interfund Receivables	1,534,833			292,982
Due from Component Unit	1,812,278			
Inventories and Prepaid Items	5,285,359			9,523,701
Loans and Notes Receivable, Net	4,256,772		5,112,161	
Other Current Assets	2,614,472	657,735	1,638,310	510,757
Total Current Assets	200,335,056	153,882,386	10,600,202	44,910,810
Noncurrent Assets				
Restricted Cash and Cash Equivalents	8,992,588		79,990,042	
Investments	62,574,098	74,793,826		2,272,864
Restricted Investments	27,744,183			
Investments Held in Trust by Others	71,171,461			
Loans and Notes Receivable, Net	19,840,530		103,766,674	
Other Long-Term Assets	5,892,971			
Capital Assets, Net	701,359,322		4,922,011	5,366,376
Total Noncurrent Assets	897,575,153	74,793,826	188,678,727	7,639,240
Total Assets	$1,097,910,209	$228,676,212	$199,278,929	$52,550,050
LIABILITIES				
Current Liabilities				
Accounts Payable	$19,275,673	$955,075		$5,504,780
Interfund Payables				31,022
Deferred Revenue	19,296,819			21,566
Deposits	2,846,207			
Other Accrued Liabilities	39,105,648		$372,731	2,728,560
Capital Leases Payable	801,014			53,400
Compensated Absences Payable	18,726,038		136	780,344
Bonds and Notes Payable	10,556,988		80,000	
Policy Claim Liabilities				
Total Current Liabilities	110,608,387	955,075	452,867	9,119,672
Noncurrent Liabilities				
Capital Leases Payable	5,025,885			47,679
Bonds and Notes Payable	314,556,555		4,785,000	
Policy Claim Liabilities				
Total Noncurrent Liabilities	319,582,440		4,785,000	47,679
Total Liabilities	430,190,827	955,075	5,237,867	9,167,351
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	405,836,910		57,011	5,265,297
Restricted for:				
Claims and Judgments				
Environmental Loans			193,984,051	
Unemployment Compensation		227,721,137		
Permanent Trust-Expendable	38,660,950			
Permanent Trust-Nonexpendable	71,174,313			
Other Purposes				25,000,000
Unrestricted	152,047,209			13,117,402
Total Net Assets	667,719,382	227,721,137	194,041,062	43,382,699
Total Liabilities and Net Assets	$1,097,910,209	$228,676,212	$199,278,929	$52,550,050

The accompanying notes are an integral part of the financial statements.

Total	Governmental Activities Internal Service Funds
$72,066,304	$58,853,620
171,970,915	1,583,796
25,314,705	1,755,503
107,137,170	339,649
1,827,815	698,546
1,812,278	
14,809,060	2,323,883
9,368,933	
5,421,274	255,887
409,728,454	65,810,884
88,982,630	
139,640,788	29,097,991
27,744,183	
71,171,461	
123,607,204	
5,892,971	
711,647,709	3,334,467
1,168,686,946	32,432,458
$1,578,415,400	$98,243,342
$25,735,528	$66,780
31,022	7,198
19,318,385	9,979,475
2,846,207	69,756
42,206,939	694,797
854,414	367,015
19,506,518	642,728
10,636,988	
	6,345,253
121,136,001	18,173,002
5,073,564	292,090
319,341,555	
	28,829,293
324,415,119	29,121,383
445,551,120	47,294,385
411,159,218	2,675,362
	20,154,476
193,984,051	
227,721,137	
38,660,950	
71,174,313	
25,000,000	
165,164,611	28,119,119
1,132,864,280	50,948,957
$1,578,415,400	$98,243,342

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
OPERATING REVENUES				
Assessments		$126,266,673		
Licenses, Permits, and Fees (net scholarship allowances of $48,091,805)	$31,964,024		$166,717	$2,200
Student Fees Pledged for Revenue Bonds	120,060,230			
Sale of Goods and Services	17,681,689		4,229,161	199,367,937
Sale of Goods and Services Pledged for Revenue Bonds	63,649,679			
Grants and Contributions	180,015,875	5,207,457	11,396,566	
Other Income	9,474,110		158	148,264
Total Operating Revenues	422,845,607	131,474,130	15,792,602	199,518,401
OPERATING EXPENSES				
Personnel Costs	431,056,462		3,152	10,956,553
Services and Supplies	165,053,074		748,051	67,978,330
Benefits, Awards, and Premiums	39,419,747	164,948,295		64,733,231
Depreciation	38,138,850		137,040	1,396,969
Other Expenses	12,367,334	1,501	21,325	21,526,890
Total Operating Expenses	686,035,467	164,949,796	909,568	166,591,973
Operating Income (Loss)	(263,189,860)	(33,475,666)	14,883,034	32,926,428
NONOPERATING REVENUES (EXPENSES)				
Gifts	25,393,088			
Investment Income	7,586,934	4,520,359	1,681,084	239,267
Interest Expense	(12,645,862)		(3,500)	
Gain (Loss) on Sale of Capital Assets	(992,426)			59,938
Other Nonoperating Revenues		2,231		1,775
Total Nonoperating Revenues (Expenses)	19,341,734	4,522,590	1,677,584	300,980
Income (Loss) Before Contributions and Transfers	(243,848,126)	(28,953,076)	16,560,618	33,227,408
Capital Contributions	23,832,542			
Transfers In	260,549,973		3,420,000	
Transfers Out	(2,822,301)	(6,159,216)		(28,795,000)
Change in Net Assets	37,712,088	(35,112,292)	19,980,618	4,432,408
Total Net Assets - Beginning of Year	630,007,294	262,833,429	174,060,444	38,950,291
Total Net Assets - End of Year	$667,719,382	$227,721,137	$194,041,062	$43,382,699

The accompanying notes are an integral part of the financial statements.

Total	Governmental Activities Internal Service Funds
$126,266,673	
32,132,941	
120,060,230	
221,278,787	$170,519,568
63,649,679	
196,619,898	187,519
9,622,532	106,804
769,630,740	170,813,891
442,016,167	11,122,874
233,779,455	9,075,058
269,101,273	133,146,463
39,672,859	1,273,757
33,917,050	2,057,418
1,018,486,804	156,675,570
(248,856,064)	14,138,321
25,393,088	
14,027,644	1,338,154
(12,649,362)	(62,438)
(932,488)	(136,089)
4,006	11,040
25,842,888	1,150,667
(223,013,176)	15,288,988
23,832,542	
263,969,973	
(37,776,517)	(91,102)
27,012,822	15,197,886
1,105,851,458	35,751,071
$1,132,864,280	$50,948,957

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Business-Type	
	College and University	Unemployment Compensation
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Assessments		$125,115,865
Receipts from Customers	$225,359,681	123,635
Receipts for Interfund Services		
Receipts from Grants and Contributions	180,015,875	5,207,457
Payments to Suppliers	(166,810,775)	
Payments to Employees	(431,789,455)	
Payments for Interfund Services		(1,200)
Payments for Benefits, Awards, and Claims	(36,507,001)	(171,376,420)
Other Receipts (Payments)	(2,893,224)	(300)
Net Cash Provided (Used) by Operating Activities	(232,624,899)	(40,930,963)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts, Grants, and Endowments Received	25,393,088	
Transfers In	260,549,973	
Transfers Out	(2,822,301)	(6,159,216)
Interest Paid	(12,645,862)	
Net Cash Provided (Used) by Noncapital Financing Activities	270,474,898	(6,159,216)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions	23,832,542	
Bonds Issued	40,230,653	
Payment of Bonds	(7,717,022)	
Capital Lease Payments	(637,430)	
Proceeds from Disposition of Capital Assets		2,231
Acquisition and Construction of Capital Assets	(92,107,073)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(36,398,330)	2,231
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	8,930,382	8,130,628
Purchase of Investments	(119,208,275)	
Redemption of Investments	107,420,984	
Other Investing Activities	636,986	
Net Cash Provided (Used) by Investing Activities	(2,219,923)	8,130,628
Net Increase (Decrease) in Cash and Cash Equivalents	(768,254)	(38,957,320)
Beginning Cash, Cash Equivalents, and Cash Equity with Treasurer, as Restated	110,900,009	145,324,699
Ending Cash, Cash Equivalents, and Cash Equity with Treasurer	$110,131,755	$106,367,379
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	($263,189,860)	($33,475,666)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	38,138,850	
Investment Income		(334,604)
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables	(11,368,263)	(2,768,820)
Inventories and Prepaid Items	(940,510)	
Notes Receivable		
Other Current Assets	(817,191)	673,584
Accounts Payable/Interfund Payables	(1,527,763)	(4,810,110)
Deferred Revenue	4,847,974	(215,347)
Compensated Absences	(732,993)	
Policy Claim Liabilities		
Bonds and Notes Payable		
Other Accrued Liabilities	2,964,857	
Net Cash Provided (Used) by Operating Activities	($232,624,899)	($40,930,963)

Noncash Transactions: Investments decreased in fair value by $1,343,448 for colleges, $3,152,034 for Unemployment Compensation, and $1,288,872 for internal service funds. Capital assets were donated to colleges in the amount of $2,249,442. Capital assets were disposed at a loss of $992,426 for colleges and $35,360 for nonmajor enterprise funds. Capital assets were aquired by capital lease in the amount of $166,763 for nonmajor enterprise funds.

The accompanying notes are an integral part of the financial statements.

Activities--Enterprise Funds			Governmental Activities
Loan	Nonmajor Enterprise Funds	Total	Internal Service Funds
		$125,115,865	
$9,702,356	$200,168,176	435,353,848	$19,863,409
168,524	9,150	177,674	149,417,450
10,983,024		196,206,356	100,383
(25,129,591)	(72,171,744)	(264,112,110)	(13,916,771)
(3,236)	(10,921,007)	(442,713,698)	(11,097,174)
(179,084)	(186,214)	(366,498)	(1,704,970)
	(64,807,759)	(272,691,180)	(137,407,647)
(19,904)	(19,739,613)	(22,653,041)	34,792
(4,477,911)	32,350,989	(245,682,784)	5,289,472
		25,393,088	
3,420,000		263,969,973	
	(28,795,000)	(37,776,517)	(91,102)
(366,493)		(13,012,355)	(23,915)
3,053,507	(28,795,000)	238,574,189	(115,017)
		23,832,542	
		40,230,653	
		(7,717,022)	
	(65,684)	(703,114)	(431,630)
	97,993	100,224	(23,752)
	(260,131)	(92,367,204)	(1,182,940)
	(227,822)	(36,623,921)	(1,638,322)
1,681,084	412,414	19,154,508	9,010,101
		(119,208,275)	(1,654,802)
		107,420,984	4,000,000
		636,986	
1,681,084	412,414	8,004,203	11,355,299
256,680	3,740,581	(35,728,313)	14,891,432
83,583,093	28,940,361	368,748,162	45,545,984
$83,839,773	$32,680,942	$333,019,849	$60,437,416
$14,883,034	$32,926,428	($248,856,064)	$14,138,321
137,040	1,396,969	39,672,859	1,273,757
362,993		28,389	(6,009,336)
	672,519	(13,464,564)	(187,856)
	372,899	(567,611)	(279,504)
(18,973,528)		(18,973,528)	
(464,375)	(284,750)	(892,732)	(930,829)
	(2,610,231)	(8,948,104)	(132,557)
	21,566	4,654,193	1,581,975
(20)	29,567	(703,446)	25,701
			(4,260,441)
(60,000)		(60,000)	
(363,055)	(173,978)	2,427,824	70,241
($4,477,911)	$32,350,989	($245,682,784)	$5,289,472

The accompanying notes are an integral part of the financial statements.

FIDUCIARY FUNDS account for assets held by the State acting in the capacity as trustee. The following provides a brief description of the State's fiduciary funds.

The PENSION TRUST FUNDS account for transactions, assets, liabilities, and net assets available for plan benefits of the State's retirement systems.

The JOINT EXERCISE OF POWERS is an investment trust fund that accounts for the investments managed by the State's Treasurer's Office for external participants.

The COLLEGE SAVINGS PRIVATE-PURPOSE TRUST FUND accounts for the activities of the IDeal Idaho College Savings Program, which helps individuals save for higher education.

Agency funds are discussed on page 119.

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Pension Trust	Joint Exercise of Powers Investment Trust	College Savings Private-Purpose Trust	Agency
ASSETS				
Cash Equity with Treasurer	$2,368,602	$423,121,537		$12,566,090
Cash and Cash Equivalents	1,288,604		$3,351,390	2,551,767
Investments:				
Pooled Short Term	277,925,767	97,893,397		
Fixed Income Investments	1,980,733,608	228,117,616		154,886,838
Marketable Securities	5,175,359,643			
Mutual Funds and Private Equities	301,783,381		32,526,264	
Mortgages and Real Estate	319,450,840	636,164,470	2,111,699	
Other Investments			9,217,543	3,803,875
Securities Lending Collateral		752,624,760		
Receivables:				
Investments Sold	712,838,249		738	
Contributions	5,401,025			
Interest and Dividends	33,827,745	8,272,499	2,758	8,930,713
Interfund Receivables	1,280,632			
Other Receivables	135,162		23,283	
Other Assets	24,930,718			
Capital Assets, Net	4,550,368			
Total Assets	8,841,874,344	2,146,194,279	47,233,675	182,739,283
LIABILITIES				
Accounts Payable	506,507		20,678	
Interfund Payables	1,280,632			
Due to Other Entities				1,128,205
Deposits				180,111,856
Obligations Under Securities Lending		752,624,760		
Investments Purchased	829,687,740		44,159	
Other Accrued Liabilities	5,742,034	172,374	1,113	1,499,222
Total Liabilities	837,216,913	752,797,134	65,950	$182,739,283
NET ASSETS				
Held in Trust for:				
Employee Pension Benefits	7,839,719,172			
Postemployment Healthcare Benefits	164,938,259			
External Investment Pool Participants		1,393,397,145		
Trust Beneficiaries			47,167,725	
Total Net Assets	$8,004,657,431	$1,393,397,145	$47,167,725	

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004

	Pension Trust	Joint Exercise of Powers Investment Trust	College Savings Private-Purpose Trust
ADDITIONS			
Contributions:			
Member	$148,982,569		
Employer	241,361,608		
Transfers In from Other Plans	3,318,115		
Participant Deposits		$2,796,546,994	$21,706,634
Total Contributions	393,662,292	2,796,546,994	21,706,634
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	1,005,877,085	(19,849,746)	2,205,768
Interest, Dividends, and Other	209,988,383	46,405,699	1,513,110
Securities Lending Income		1,404,132	
Less Investment Expense:			
Investment Activity Expense	(28,824,962)	(241,067)	
Securities Lending Expense		(418,485)	
Net Investment Income	1,187,040,506	27,300,533	3,718,878
Miscellaneous Income	1,634,137		
Total Additions	1,582,336,935	2,823,847,527	25,425,512
DEDUCTIONS			
Benefits and Refunds Paid to Plan Members	358,672,415		
Transfers Out to Other Plans	1,976,643		
Administrative Expense	7,028,506		203,570
Earnings Distribution		27,648,423	
Participant Withdrawals		2,711,598,533	4,417,704
Total Deductions	367,677,564	2,739,246,956	4,621,274
Change in Net Assets Held in Trust for:			
Employee Pension Benefits	1,190,043,435		
Employee Postemployment Healthcare Benefits	24,615,936		
External Investment Pool Participants		84,600,571	
Trust Beneficiaries			20,804,238
Net Assets - Beginning of Year	6,789,998,060	1,308,796,574	26,363,487
Net Assets - End of Year	$8,004,657,431	$1,393,397,145	$47,167,725

The accompanying notes are an integral part of the financial statements.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Idaho have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the standard-setting body for governmental accounting and financial reporting principles.

In May of 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement requires that certain organizations should be included as component units if the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units, are such that exclusion from the financial reporting entity would render the financial statements incomplete or misleading. The State implemented this Statement during the fiscal year ended June 30, 2004. As a result, College and University Foundations have been included in the government-wide financial statements.

The financial statements are presented as of and for the year ended June 30, 2004, except for the State Bar (Regulatory special revenue fund) whose statements are as of and for the fiscal year ended December 31, 2003; the Idaho Dairy Products Commission (Agriculture and Natural Resources special revenue fund) whose statements are as of and for the fiscal year ended December 31, 2003; the Idaho Potato Commission (Agriculture and Natural Resources special revenue fund) whose statements are as of and for the year ended August 31, 2004; the Petroleum Clean Water Trust Fund and the Idaho Life and Health Insurance Guaranty Association (discretely presented component units) whose financial statements are as of and for the year ended December 31, 2003.

A. Reporting Entity

The State of Idaho is governed under the *Idaho Constitution* of 1890, as amended. The legislative power is vested in a 35-member Senate and a 70-member House of Representatives; executive power is vested in the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General and Superintendent of Public Instruction; and the judicial power is vested in the Idaho Supreme Court, the Idaho Court of Appeals, and district courts.

For financial reporting purposes, the State of Idaho's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, agencies, boards, commissions, colleges and universities, and authorities that are considered an integral part of the State. The State also considered potential component units and affiliated organizations for which it is financially accountable and other organizations for which the nature and significance of their relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. As defined by GASB Statement No. 14, *The Financial Reporting Entity*, (as amended by GASB Statement No. 39), financial accountability exists if either:

1. The State appoints a voting majority of the organization's governing board and (A) the State is able to impose its will on the organization, or (B) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State; or,

2. (A) The organization's resources or income are used entirely or almost entirely for the benefit of the State, or (B) the State has the ability to access a majority of the economic resources received or held by the organization, and (C) the economic resources of the organization are material to the State.

Blended Component Unit

Blended component units are legally separate from the State but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate funds.

Idaho State Building Authority was created by *Idaho Code*, Section 67-6403, to finance and construct facilities, such as office buildings and parking garages, to be used and leased by the State. GASB Statement No. 14 requires the Idaho State Building Authority to be presented as a blended component unit because the Board is appointed by the Governor; the Authority relies entirely on the State's leasing agreements, resulting in a significant financial benefit/burden relationship; and the Authority provides services entirely to the State of Idaho. The Idaho State Building Authority is blended as a nonmajor special revenue fund.

Discretely Presented Component Units

Discretely presented component units are legally separate from the State but are financially accountable to

the State, the State receives the majority of the benefit from their activities, or their relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. These component units are reported in a separate column to emphasize that they are legally separate from the primary government.

Life and Health Insurance Guaranty Association is a nonprofit organization authorized by the *Idaho Life and Health Insurance Guaranty Association Act* of 1977, *Idaho Code*, Section 41-4306. The Act was passed to provide a mechanism for the payment of covered claims under certain insurance policies when an insurer becomes insolvent. All insurance companies that sell direct and supplemental life, disability policies, and annuity contracts are required to be members of the Association as a condition of their authority to transact business in Idaho. The Board members are selected by member insurers; however, the director of Insurance has veto power and may dismiss management at will. Insurers may offset assessments against their premium taxes (thereby reducing tax revenues to the State). This imposes a potential direct financial burden on the State. The Association is presented discretely as an enterprise fund.

Petroleum Clean Water Trust Fund (PCWTF) was created by the Idaho Legislature in *Idaho Code*, Section 41-4905, to provide pollution liability insurance for eligible owners and operators of petroleum storage tanks. The PCWTF is subject to the direction and supervision of the manager of the State Insurance Fund. The State approves, and may modify, the PCWTF's annual budget and thereby has the ability to impose its will on the PCWTF. The PCWTF is presented discretely as an enterprise fund.

College and University Foundation Fund includes the foundations of Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, and the University of Idaho. The foundations were established for the purpose of soliciting donations and to hold and manage invested donations for the exclusive benefit of the respective colleges and universities. The College and University Foundation Fund is presented discretely as an enterprise fund.

Complete financial statements for the component units may be obtained from their respective administrative offices, as follows:

Idaho State Building Authority
960 Broadway, Suite 500
Boise, ID 83706

Idaho Life and Health Insurance Guaranty Association
8324 Northview, Suite 104
Boise, ID 83704

Petroleum Clean Water Trust Fund
Department of Insurance
700 W. State Street, 3rd Floor
Boise, ID 83720

Boise State University Foundation, Inc.
1910 University Drive
Education Bldg. Room 708
Boise, ID 83725

Eastern Idaho Technical College Foundation, Inc.
Christofferson Building
1600 S 25th E
Idaho Falls, ID 83404-5788

Idaho State University Foundation, Inc.
Campus Box 8050
921 South 8th Avenue
Pocatello, ID 83209

Lewis-Clark State College Foundation, Inc.
College Advancement
500 8th Avenue
Lewiston, ID 83501

University of Idaho Foundation, Inc.
P.O. Box 443150
University of Idaho
Moscow, ID 83844-3150

Related Organizations

Related organizations are organizations for which the State is not financially accountable (because it does not impose its will or have a financial benefit or burden relationship), although the State appoints a voting majority of the organization's board. The financial reports of these organizations are excluded from the State's financial statements.

State Insurance Fund was created by *Idaho Code*, Section 72-901. The Governor appoints board members, but there is no ability for the State to impose its will on the organization and there is no financial benefit/burden relationship. Therefore, the State Insurance Fund is considered a related organization of the State of Idaho.

Idaho Housing and Finance Association (IHFA) was created by *Idaho Code*, Section 67-6202. The Governor appoints board members, but there is no ability for the State to impose its will on the organization and there is

no significant financial benefit/burden relationship. Therefore, the IHFA is considered a related organization of the State of Idaho.

Health Facilities Authority (HFA) was created by *Idaho Code*, Section 39-1444. The Governor appoints board members, but there is no ability for the State to impose its will on the organization and there is no significant financial benefit/burden relationship. Therefore, the HFA is considered a related organization of the State of Idaho.

Small Employer Health Reinsurance Program (SEHRP) was created by *Idaho Code*, Section 41-4711. The Governor appoints board members, but there is no ability for the State to impose its will on the organization and there is no significant financial benefit/burden relationship. Therefore, the SEHRP is considered a related organization of the State of Idaho.

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The Statement of Net Assets and Statement of Activities report information on non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Internal service funds are included with governmental activities in the government-wide statements and are included with the proprietary funds in the fund statements.

Statement of Net Assets
The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are displayed in the following three categories:

Invested in Capital Assets, Net of Related Debt, consists of capital assets net of accumulated depreciation and reduced by outstanding related debt.

Restricted Net Assets result when constraints placed on net assets' use are imposed by third parties, through constitutional provisions, or enabling legislation. The State does not have a policy regarding the preferred first usage of unrestricted or restricted net assets. Expense allocation decisions are made on a program-by-program basis when both restricted and unrestricted net assets are available. Restricted net asset balances will fluctuate as related accounting transactions occur.

Unrestricted Net Assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets may have constraints or designations placed upon them by management, but they can be unilaterally removed.

Statement of Activities
The Statement of Activities demonstrates the degree to which the direct expenses of governmental functions, business-type activities, and component units are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific governmental function, business-type activity, or component unit. Revenues are broken out by program and general designations. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, activity, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Program revenues display the extent to which programs are self-funded. The arithmetic difference between direct expenses and program revenue displays the net cost of the function to be financed from the State's general revenues. Taxes and other revenue sources that are not attributable to specific programs are shown as general revenues.

State agencies share the cost of some centralized services. These administrative overhead charges are reported as direct program expenses of each of the various functions. Certain indirect costs are paid by the general government function and are not allocated to the other governmental functions.

To better reflect the break-even emphasis of the internal service funds, the net income or loss from business conducted with primary government customers is eliminated. Eliminations are made to the operating expenses or revenues of the participating functions.

Fund Statements

The financial activities of the State are recorded in individual funds to report the financial position and results of the operations of the State. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Reimbursements are eliminated in the financial statements to reduce the grossing-up effect of internal transactions. Reimbursements are repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements include phone billings, postage, federal grant pass-throughs from one state agency to another, and the allocation of central human resource costs to all agencies.

Separate fund financial statements are presented for the governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. The emphasis in the fund statements is on major funds. Major governmental and business-type funds are reported as separate columns in the fund statements. The remaining governmental and business-type funds are considered to be nonmajor funds and are consolidated in a nonmajor funds column (on the combined fund statements). The nonmajor funds are displayed individually in combining statements.

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for services that include general government, public safety and correction, health and human services, education (other than those reported in the university funds), economic development, and natural resources. The General Fund includes all financial resources of the general government except those required to be accounted for in another fund.

The *Health and Welfare* fund accounts for resources used for medical care, foster care, and other relief for eligible citizens of Idaho.

The *Transportation* fund accounts for resources used for highway construction and maintenance.

The *Public School Endowment* and *Pooled Endowment* funds account for land grants and the sale or lease of such lands received from the federal government under the *Idaho Admissions Act*.

The State reports the following major proprietary funds:

The *College and University* fund accounts for resources used by the State's system of higher education.

The *Unemployment Compensation* fund accounts for resources used to provide unemployment benefits to eligible unemployed workers.

The *Loan* fund accounts for loans to Idaho municipalities to make improvements to wastewater and drinking water systems.

Additionally, the State reports the following fund types:

Governmental Fund Types

Special revenue funds account for financial resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes.

Permanent funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used.

Proprietary Fund Types

Enterprise funds account for governmental operations that function in a manner similar to private business enterprises where the intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal service funds account for a variety of independent operations that provide goods or services to other state agencies or governmental units on a cost-reimbursement basis. Internal service fund activities of the State include property, liability, and other types of insurance; data processing services; and other services such as facilities rentals.

Operating and nonoperating revenues and expenses are presented separately on the operating statements and statements of cash flow. Operating transactions occur if they directly result from the provision of goods or services to customers, or are otherwise directly related to the principal and usual activity of the fund. All other revenues and expenses are reported as nonoperating.

Fiduciary Fund Types

Pension trust funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, and other postemployment benefits.

The investment trust fund accounts for the investments related to participants in the State's Joint Exercise of Powers external investment trust fund.

Agency funds account for resources collected or held by the State, acting in a custodial capacity, for

distribution to other governmental units or designated beneficiaries.

The private purpose trust fund accounts for the fiduciary activities of the State that are not appropriately accounted for as pension or investment trust funds. Idaho's private-purpose trust fund accounts for the activities of the IDeal Idaho College Savings Program in which the principal and interest benefit individuals. Complete financial statements may be obtained by writing to IDeal College Savings Program, P.O. Box 55254, Boston, MA 02205-8675.

Reconciling Government-Wide Statements to the Fund Statements

The governmental fund statements include a reconciliation between the fund statements and the government-wide statements. Differences that make a reconciliation necessary include the two differing measurement focuses and bases of accounting between the statements and the inclusion of internal service funds with governmental activities on the government-wide statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Significant revenue sources susceptible to accrual include sales tax, individual and corporate taxes, motor fuel taxes, and federal grants. Licenses, permits, fees, and other miscellaneous revenues, which are derived from an underlying transaction, are recognized when received since they are normally only measurable at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded when paid.

Business-type activities and enterprise funds, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, are required to apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures. In addition, business-type activities and enterprise funds may apply all FASB statements and interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements. The State has elected not to follow FASB pronouncements issued after November 30, 1989, for business-type activities and enterprise funds.

D. Budgeting and Budgetary Control

Budget Policies and Procedures

Budgets are adopted in accordance with *Idaho Code*, Sections 67-3501 through 67-3614. In September of each year, state agencies submit requests for appropriations to the Governor's Office, Division of Financial Management, so an executive budget may be prepared. The budget is generally prepared by agency, fund, program, and object and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. Legal level of budgetary control is generally maintained at the same level of detail as appropriated. Appropriated funds include the General Fund, special revenue funds, enterprise funds, internal service funds, earnings of the permanent funds, and pension trust funds. The appropriated funds are either appropriated annually or on a continuous basis. For those funds appropriated on a continuous basis, appropriation equals expenditures to the extent of available cash. Unexpended appropriation balances generally lapse at fiscal year-end unless reappropriated by the Legislature.

The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The Joint Finance and Appropriations Committee reviews the Governor's recommended budget, makes amendments, and prepares the annual appropriation bills for submission to both houses of the Legislature. A simple

majority vote by both houses of the Legislature is required to pass the appropriation bills. The appropriation bills become the State's authorized operating budget upon the Governor's signature, or if allowed, become law without the Governor's signature.

Agencies may request additional (positive supplemental) appropriations for the current year, which may be granted under authority of the Legislature. If it is anticipated expenditures may exceed available cash, the State Board of Examiners may authorize reduction of a portion of the General Fund appropriation. The Governor may issue an executive order for temporary reduction of spending authority. When this occurs, it is recorded in the accounting system as a negative supplemental appropriation.

Limitations exist regarding the extent to which management may modify an appropriation. At no time, without legislative authority, may an appropriation be transferred from one fund to another. The following adjustments may be made, with the appropriate approval:

Idaho Code, Section 67-3511(1), allows agencies to transfer spending authority between objects within a fund and program, with the exception of personnel costs. Appropriations for personnel costs may be transferred to other objects, but appropriations for other costs may not be transferred to personnel. Per *Idaho Code,* Section 67-3511(3), appropriations for capital outlay may not be used for any other purpose, but appropriations for other objects may be transferred to capital outlay. The Board of Examiners must approve object transfers.

Idaho Code, Section 67-3511(2), allows agencies to transfer spending authority from one program to another within an agency, provided the transfer is not more than 10 percent cumulative change from the appropriated amount for any program affected by the transfer. The Division of Financial Management and the Board of Examiners must approve these transfers. The Legislature must approve transfers above 10 percent cumulative change.

Should any change occur that is not within the described limitations, legal compliance is not achieved.

The State issues a separate Legal Basis Financial Report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the Office of the State Controller, P.O. Box 83720, Boise, Idaho, 83720-0011, or may be viewed online at www.sco.state.id.us. Look under "Accounting," and then "Financial Reports and Financial Information."

Encumbrances

The State utilizes encumbrance accounting for budgetary control purposes. Obligations incurred for goods or services that have not been received may be recorded to reserve that portion of the applicable fund balance. Encumbrances may be carried over to the next fiscal year as a revision to the budgetary appropriation with the approval of the Division of Financial Management.

E. Assets and Liabilities

Cash Equity with Treasurer

Cash balances of most funds are deposited with the State Treasurer. Balances not required to meet immediate needs are pooled in an internal investment pool for short-term investment and that pool is reflected on the line titled Cash Equity with Treasurer. *Idaho Code*, Sections 67-1210 and 67-1210A, governs investment policies of the State Treasurer.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of bank accounts, petty cash, cash in transit, and short-term investments. Cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments

The State Treasurer handles investments of state funds and funds of other qualified entities within the State, in accordance with *Idaho Code*, Sections 67-1201 through 67-1222. Allowable investments consist of investment grade (an A rating or higher) securities ranging from U.S. Treasury Bills to domestic corporate bonds.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the State reports certain investments at fair value rather than at cost. The external portion of the State's external investment pool is reported in an investment trust fund at fair value.

The Public Employee Retirement System of Idaho, the Judges' Retirement fund, and the Endowment and Capitol Permanent Endowment funds are permitted to make investments in accordance with the *Idaho Uniform Prudent Investor Act*, Sections 68-501 through 68-514 of the *Idaho Code*.

The State holds mortgage-backed securities (derivative-like financial instruments) as part of its Long-Term

Investment account. The securities are held to optimize investment yields and are reported at fair market value on the balance sheet (see Note 2). The exposure associated with these securities is considered minimal. Agency pass-through securities are considered above AAA quality bonds as they are issued by quasi-government organizations. Legal risks are negligible.

Receivables, Net

Receivables in the General Fund consist primarily of sales and income taxes. Special revenue fund receivables consist primarily of public assistance and gas taxes. Proprietary fund receivables occur as part of the ordinary course of business. Fiduciary fund receivables consist primarily of investments sold in the pension trust funds. The receivables are disaggregated on the financial statements.

Internal Balances

Interfund receivables and interfund payables consist of unpaid balances for goods and services provided by one fund to another. Interfund goods and services provided are reported as revenues in seller funds and expenditures or expenses in purchaser funds. These balances are generally short-term receivables and payables. See Note 4 for interfund schedules and those receivables not expected to be collected within one year.

Interfund receivables and payables balances and activity have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities, which are shown as Internal Balances.

Due from Other Entities

Due from other entities is comprised mainly of federal grant revenues receivable.

Inventories and Prepaid Items

Inventory consists of materials and supplies that will be consumed within a year. Governmental and proprietary fund-type inventories of supplies and materials are valued at cost, which approximates market, generally using the first-in, first-out method. The consumption method of inventory accounting is used. Prepaid expenses represent amounts paid in the current period for services that will benefit future periods. Prepaids are accounted for using the consumption method.

Other Assets

Other assets include interest receivable, assets in liquidation, and other miscellaneous items.

Capital Assets, Net

Capital assets include infrastructure (roads and bridges), land, buildings and improvements, construction in progress, improvements other than buildings, machinery and equipment, and other capital assets. Assets with a cost of $5,000 or more and a useful life of more than one year are capitalized. The costs of normal repairs and maintenance that do not add to the asset's utility or materially extend an asset's useful life are not capitalized. Interest expense related to capital asset construction is capitalized for proprietary funds but not governmental funds.

Capital assets are recorded at cost or estimated historical cost, if actual cost is not available. Donated capital assets are recorded at the estimated fair value at the date of donation and revenue is recognized. In cases where historical cost is not available, assets are valued using comparables indexed forward or backward with the consumer price index. Federal grant land is valued at one dollar per acre.

All capital assets, with the exception of roads, right-of-ways, land, construction in progress, and art and historical treasures are depreciated.

For all depreciable major asset classes, depreciation is calculated on a straight-line basis over their estimated useful lives, as follows:

Assets	**Years**
Buildings	30 - 50
Improvements Other Than Buildings	5 - 50
Machinery, Equipment, and Other	3 - 40
Bridges	75

Roads and right-of-ways are not depreciated but rather are accounted for under the modified approach. The modified approach recognizes that this class of infrastructure will be indefinitely maintained at a certain condition level, and as such does not have a limited lifespan. Costs to maintain the roads at the set condition levels are expensed rather than capitalized, unless the road's service potential is increased or additions are made. The State's Transportation Department has the responsibility for determining and assessing the condition levels, maintaining the inventory of roads, and making annual estimates of costs to maintain the roads.

Art and historical treasures are not capitalized unless those collections were already capitalized on June 30, 1999. Art and historical treasures include historical artifacts, historical documents, rare books, paintings, portraits, State Capitol related artifacts, furnishings, films, statues, monuments, and buildings. Art and historical collections are on public display, preserved and protected, and are used in the furtherance of historical education or are involved in advancement of artistic or historical research. If sold, the proceeds are used to acquire other items for collection.

Payables

Payables in the General Fund consist primarily of revenue sharing and short-term vendor obligations. Accounts payable in the special revenue funds relate primarily to public assistance (the largest being Medicaid). The largest enterprise fund payable is for the College and University fund, which is mostly comprised of vendor obligations. The Public Employee Retirement System of Idaho investment purchases comprise the primary fiduciary fund payable. All fund types have generic vendor payables.

Deferred Revenue

Deferred revenue is recognized when revenue is received prior to being earned. In the governmental fund statements, deferred revenue is also recognized when revenue is earned but not available.

Deposits

Deposits consist of cash or other assets held for an individual or entity until certain conditions of an agreement are met, at which time the asset is returned to the owner. Occasionally, the owner will default on the conditions and the asset held as a deposit becomes the property of the State and is recorded as revenue at that time.

Other Accrued Liabilities

Other accrued liabilities consist of payroll payable, contingent liabilities, unclaimed property, and other accrued liabilities.

Long-Term Liabilities

Government-wide and proprietary financial statements report long-term obligations as liabilities, with the portion payable within twelve months designated separately from the portion payable in more than twelve months. Long-term liabilities include the following:

Capital Leases Payable consists of lease contracts entered into by the State that are in substance a purchase.

Compensated Absences Payable includes vacation and compensatory time earned but not paid.

Bonds and Notes Payable consists of notes and bonds issued for the construction or acquisition of facilities and for funding various projects. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the loan. See Note 11 for further explanation.

Policy Claim Liabilities include amounts for probable claims that have been incurred and the amount of the loss has been reasonably estimated.

Claims and Judgments are payable on behalf of the State and its agencies for various legal proceedings and claims.

Other Long-Term Liabilities consist mainly of a net pension obligation.

F. Fund Equity

Fund equity represents the difference between fund assets and fund liabilities. The governmental fund equity is called fund balance, while the government-wide, proprietary, and fiduciary fund equity is called net assets. Reservations of fund balance and restricted net assets identify assets that are not available for appropriation for expenditure or are legally segregated for a specific future use.

G. Newly Issued Accounting Pronouncements

In March of 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures.* This Statement enables readers to better determine the potential for losses associated with investments and deposits. This new accounting standard will impact the State's investment disclosure. The requirements of this Statement are effective for the fiscal year ending June 30, 2005.

In November of 2003, the GASB issued Statement No. 42, *Impairment of Capital Assets and Insurance Recovery.* This Statement establishes accounting and financial reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. Management has not yet determined the impact this standard will have on the State's financial statements.

The requirements of this Statement are effective for the fiscal year ending June 30, 2006.

In April of 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This Statement establishes requirements for reporting postemployment benefits other than pensions and provides users with information to assess the funded status of the plan. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2006.

In May of 2004, the GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section.* This Statement provides financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements to assess a government's economic condition. This new accounting standard will impact the State's statistical information. The requirements of this Statement are effective for the fiscal year ending June 30, 2006.

NOTE 2. DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents are deposited with various financial institutions and are carried at cost. Legal provisions regarding deposits are found throughout *Idaho Code,* Title 67. The State Treasurer's Office (STO) acts as the State's bank, receiving and disbursing all monies except for the following: Petroleum Clean Water Trust Fund, the Idaho Life and Health Guaranty Association, and college and university foundations (discretely presented component units); the Idaho State Building Authority (blended component unit); endowment funds (permanent funds); the State Bar, Potato Commission, Dairy Products Commission, and Wheat Commission (nonmajor special revenue funds); the State Lottery and some of the colleges and universities (enterprise funds); and the Public Employee Retirement System of Idaho (fiduciary fund). In accordance with *Idaho Code,* Section 67-1210, all idle cash deposited with the STO is invested in various types of investments. Interest received on investments of idle funds is paid into the General Fund, unless Idaho statute requires allocation of interest to specific funds.

The following schedule presents the State's deposits, at June 30, 2004 (*in thousands*):

	Carrying Value	Bank Value
Primary Government	$972,253	$1,002,781
Fiduciary Funds	445,248	470,165
Discretely Presented Component Units	38,123	38,123
Total	**$1,455,624**	**$1,511,069**

The colleges and universities restated their fiscal year 2004 beginning cash balance by $8,522,037 as a result of the GASB Statement No. 39 implementation.

Credit risk is the risk that in the event of a financial institution failure, the State's deposits may not be returned. The State's policy for managing credit risk can be found in *Idaho Code*, Section 67-2739. The STO designates which financial institutions are qualified as state depositories. The amount of state funds above the total covered by federal insurance that is deposited with a qualified institution may not exceed the total of that depository's capital and surplus. Every designated depository must file an annual affidavit showing the amount of the financial institution's capital stock and surplus.

Deposits are categorized into the following three categories of credit risk:

- Category 1 includes deposits that are fully insured or collateralized with securities held by the State or its agent in the State's name.
- Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the State's name.
- Category 3 includes deposits that are not collateralized or are collateralized by the pledging financial institution or the pledging institution's trust department or agent, but not in the State's name.

The following schedule presents Idaho's credit risk for deposits at June 30, 2004, (*in thousands)*:

	Primary Government				
Basis of Credit Risk	**Governmental Activity**	**Business-Type Activity**	**Total Primary Government**	**Fiduciary Funds**	**Discretely Presented Component Units**
Category 1	$404,724	$196,312	$601,036	$99,952	$5,068
Category 2	261,697	123,903	385,600	419,114	10,663
Category 3	3,883	13,928	17,811	3,890	23,772
Total	**$670,304**	**$334,143**	**$1,004,447**	**$522,956**	**$39,503**

B. Investments

General Investment Policies

Idaho Code, Section 68-502, stipulates the standard to be followed by state investment personnel is the *Idaho Uniform Prudent Investor Act.* The primary focus of the Act is preservation of capital and avoidance of speculative transactions through exercise of reasonable care, skill, and caution. The goal is to provide a reasonable return while following specific objectives of various trusts. The Act may be expanded, restricted, eliminated, or altered by provisions of Idaho statute or a trust.

The STO invests idle moneys, other than the public endowment funds, in accordance with *Idaho Code*, Sections 67-1210, 67-1210A, and 67-2739. The STO Investment Division handles all short-term investing and outsources all long-term investing.

Some investments are made directly by an agency rather than by the STO. Only a few agencies are authorized to make such investments and then only for specific programs. All investments are valued in accordance with GASB Statement No. 31, as described in Note 1.

Types of Investments

Idaho Code, Section 67-1210, authorizes the Treasurer's Pooled Idle Fund and agencies to make direct investments in the following types of investments:

- U.S. government obligations, which pledge the full faith and credit of the U.S. government
- General obligation or revenue bonds of the State or any Idaho county, city, or taxing district
- Obligations issued under the Farm Credit Act of 1971, the Federal Home Loan Bank Board, the Federal National Mortgage Association, the Federal Home Loan Bank
- Obligations issued or guaranteed by the State
- Idaho higher education institution revenue bonds
- Idaho public corporations
- Repurchase agreements covered by any legal investment for the State
- Time deposit and savings accounts in depositories, state and federal loan associations, or state and federal credit unions within the boundaries of Idaho
- Tax and revenue anticipation instruments of the State or Idaho taxing districts
- Money market funds whose portfolios consist of investments specified in this section.

Idaho Code, Sections 67-1210 and 67-1210A, give the STO, but not other Idaho agencies, authority to enter into the following additional types of transactions:

- Prime banker's acceptances and prime commercial paper
- Sale and repurchase of call options on securities owned by the STO or the Local Government Investment Pool
- Corporate bonds, notes, and debentures of any U.S. company with at least an A rating by a nationally recognized statistical rating organization (NRSRO) such as Standard and Poor's or Moody's
- Asset backed securities rated at least AA by a NRSRO
- Securities lending agreements
- Mortgage pools sponsored by government agencies or quasi-government agencies

State agencies that are able to exchange current liquidity for greater returns may elect to participate in the Long-Term Fund managed by the STO as part of the Idle Pool. The Long-Term Fund is expected to provide a return above that of the Lehman Brothers' Aggregate Fixed Income Index (the Index) over a full market cycle. The

following limitations apply to Long-Term Fund investments:

- Assets in the account are to be diversified by type and maturity to allow for anticipated withdrawals.
- Investments in specific sectors of the fixed income market shall be at least 0.5 times and not exceed 1.5 times the Index.
- The portfolio duration shall not be less than 0.75 times and not more than 1.25 times the Index duration.
- No more than 10 percent of the portfolio shall be invested in the securities of one issuer. This restriction does not apply to U.S. Treasury or U.S. agency securities.

Credit Risk

The State's investments are classified in three categories of credit risk to give an indication of the level of risk assumed by the State as of the year-end. The three categories of credit risk include the following:

- Category 1 includes investments that are insured or registered, or securities held by the State or its agent in the State's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the State's name.

The level of credit risk assumed by the State and the total fair value of state investments at June 30, 2004, are as follows (*in thousands*):

Primary Government and Fiduciary Funds	**Credit Risk Categories**			
Investments	**1**	**2**	**3**	**Fair Value**
Repurchase Agreements		$319,110		$319,110
U.S. Government Obligations	$206,429	163,875		370,304
U.S. Agency Obligations	203,267	724,349		927,616
Mortgage-Backed Securities	19,927	113,795	$2,112	135,834
Marketable Securities	5,597,026	673	83	5,597,782
Corporate Bonds	2,257,925	229,765		2,487,690
Public Utility Bonds	22,629			22,629
Other	4,184	5	9,218	13,407
Total Risk Classified Investments	**$8,311,387**	**$1,551,572**	**$11,413**	9,874,372
Investments Not Subject to Classification Due to Their Nature				
Pooled Short Term Investment Fund				277,709
Idaho Commercial Mortgages				259,763
Real Estate				59,688
Private Equity				163,074
Mutual Funds				172,051
Index Fund and Fixed Income Fund Holdings in Agency Fund				163,690
Total Non-Classified Investments				1,095,975
Total Primary Government and Fiduciary Funds Investments				**$10,970,347**

Reconciliation of Primary Government and Fiduciary Funds Risk Categorized Investments to Investments per Financial Statements	
Investments per Risk Categorization	$10,970,347
Less: Idle Pool Cash Included with Investments for Note Disclosure Purposes	(645,663)
Less: Difference Between Securities Lending Collateral and Loaned Securities	(23,055)
Plus: Investment Deposits Included with Cash and Cash Equivalents for Note Disclosure Purposes	54,457
Primary Government and Fiduciary Funds Investments per Financial Statements	**$10,356,086**

The above investments do not include $71 million of University of Idaho investments, which are held by the University of Idaho Foundation, Inc. (part of the College and University Foundation discretely presented component unit). The $71 million is shown as an investment and a deposit in the discretely presented component unit financial information.

The State's investments as reported on the Statement of Net Assets and Statement of Fiduciary Net Assets at June 30, 2004, are as follows (*in thousands*):

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Investments	$886,136	$164,955	$9,219,975	$10,271,066
Restricted Investments	57,276	27,744		85,020
Total Investments	**$943,412**	**$192,699**	**$9,219,975**	**$10,356,086**

The level of credit risk assumed by the discretely presented component units and the total fair value of their investments at June 30, 2004, are as follows (*in thousands*):

Discretely Presented Component Units	**Credit Risk Categories**			
Investments	**1**	**2**	**3**	**Fair Value**
U.S. Government Obligations	$13,890	$5,668	$1,063	$20,621
U.S. Agency Obligations		1,880	29,983	31,863
Mortgage-Backed Securities		10,153		10,153
Marketable Securities	96,219	50,603		146,822
Corporate Bonds	51,191	13,979		65,170
Other	1,468	1,481		2,949
Total Risk Classified Investments	**$162,768**	**$83,764**	**$31,046**	277,578
Investments Not Subject to Classification Due to Their Nature				
Private Equity				528
Total Discretely Presented Component Unit Investments				**$278,106**
Reconciliation of Discretely Presented Component Unit Risk Categorized Investments to Investments per Financial Statements				
Investments per Risk Categorization				$278,106
Plus: Investment Deposits Included with Cash and Cash Equivalents for Note Disclosure Purposes				1,380
Discretely Presented Component Unit Investments per Financial Statements				**$279,486**

Repurchase Agreements

Repurchase agreements are purchases of securities with simultaneous agreements to resell those same securities in the future at the same price plus a contract rate of interest. These investments are made throughout the year for short periods of time.

Securities Lending Agreements

Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. *Idaho Code*, Section 67-1210A, authorizes the STO to engage in securities lending agreements. The STO securities custodian manages the securities lending program. During the year, the custodian lent U.S. government securities, equity securities, and corporate bonds or notes for cash or other collateral. The investments are collateralized at 102 percent of the fair value of securities lent. The securities lending agreement requires daily monitoring of the fair value of securities lent and collateral received with additional collateral obtained as necessary to meet margin requirements. There are no restrictions on the amount of loans that can be made. Either the State or the borrower can cancel all securities lent upon demand.

The cash collateral received is invested by the custodian and held in a separate account in the name of the STO. Cash is only reinvested in repurchase agreements with terms equally matching the actual securities lent. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end, the Idle Pool had no credit risk exposure to borrowers because the collateral

exceeded the amount borrowed. At June 30, the carrying amount and fair value of Idle Pool lent securities was $472,723,323 and $468,833,599, respectively. The fair value of the collateral received for these lent securities was $477,559,054.

In accordance with *Idaho Code*, Section 57-723, the Endowment Fund Investment Board (EFIB) engages in securities lending activities. The securities borrower will pay a stated premium to the EFIB that is remitted monthly. The Northern Trust Company, the EFIB custodian, lends U.S. government securities, U.S. agency obligations, corporate bonds, and international equities for collateral in the form of cash, irrevocable letters of credit, or other securities with at least 102 percent of the lent securities fair value, and international securities for collateral worth at least 105 percent. At year-end, EFIB had no credit risk exposure to borrowers because the amount owed to borrowers exceeded the amount owed to EFIB by borrowers. EFIB is indemnified for fraudulent or negligent acts performed by Northern Trust Company. EFIB is also indemnified should borrowers fail to return the securities. EFIB is indemnified if collateral is inadequate to replace the lent securities and for distributions by issuers while the securities are out on loan. Either the EFIB or the borrower can terminate all securities loans upon demand, although the average term of loans is only one week. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of 72 days.

The relationship between the maturities of the investment pool and EFIB loans is affected by the maturities of securities loans made by other entities that use the agent's pool, which EFIB cannot determine. The EFIB cannot pledge or sell securities without borrower default. At June 30, 2004, the fair value of EFIB lent securities and collateral was as follows:

Securities Lent for Cash Collateral	$62,229,224
Securities Lent for Noncash Collateral	758,376
Fair Value of Cash Collateral	$64,039,564
Fair Value of Noncash Collateral	772,556

Other Investing Activities

The Public Employee Retirement System of Idaho (PERSI) purchases forward contracts for certain international investments and U.S. agency-guaranteed collateralized mortgage obligations for the purpose of enhancing liquidity, reducing transaction or other costs, or partially hedging an existing exposure. PERSI does not incur any costs for forward contracts until the settlement date. Future potential obligations for the forward contracts are not recognized until the contract expiration date.

PERSI has entered into forward foreign exchange contracts to purchase or sell currency at various dates in the future at a specific price. The value of foreign currency to be purchased or sold fluctuates continuously. As such, it is possible that the foreign currency market price at the specified time to purchase or sell may be lower than the price at which PERSI is committed to buy or sell. PERSI could sell the forward contract at a loss, or if it were to continue to hold the contract, PERSI may make a termination payment to the counterparty to cancel its obligation under the contract and then buy the currency on the open market. PERSI is also exposed to the risk the counterparty will not fulfill the contract. The terms of the contract include provisions for recovering the cost in excess of the guaranteed price from the counterparty should PERSI have to purchase currency on the open market. Unrealized gains of $199,345 at June 30, 2004, were recognized, which represents the gain that would occur from executing forward foreign exchange contracts at June 30, 2004.

In accordance with state investment laws, the EFIB engages in sales (writing) of covered call options, to increase yield for certain securities that are owned. These options are usually outstanding for periods of one week to one month and the EFIB receives cash for the sale of the call. During the time the options are outstanding, the EFIB is exposed to market risk, or the risk of changes in interest rates. As interest rates decrease and bond prices increase to or above the exercise price as specified in the option, the security could be called. The EFIB would be forced to sell the security at the call price, giving up the potential yield on the security. If the bond is called, and the EFIB does not want to lose the security, they will buy back the call option at a loss. At year-end the EFIB had no outstanding call options.

State investment laws permit EFIB to invest in domestic and international equities and the following fixed income securities: domestic corporate bonds, notes, debentures, or convertible debt securities with a minimum BBB rating by Standard and Poor's, or a Baa rating by Moody's, or equivalent ratings by other national rating services; Yankee bonds with a minimum A rating; pass-through mortgage-backed securities with a minimum AAA rating or equivalent; and collateralized mortgage obligations.

The EFIB periodically invests in forward and futures contracts representing agreements to buy or sell a specified amount of an underlying security at a given

delivery or maturity date for an agreed upon price. The EFIB's use of these securities is limited to small positions in the EFIB international and domestic portfolios established primarily for hedging or risk reduction. The domestic equity portfolio at June 30, 2004, held 56 ten-year treasury contracts with a fair value of $6.9 million. The mark-to-market receivable as of that date was $41,890, which was received on July 1, 2004.

As of June 30, 2004, the EFIB held forward currency contracts to buy or sell U.S. dollars, euros, British pounds, Japanese yen, Swiss francs, Danish krone, Hong Kong dollars, Norwegian krone, and Swedish krona upon established future dates for agreed-upon prices. These forward currency contracts permit EFIB to lock in future foreign exchange rates, thus reducing the risk from currency fluctuations. At June 30, 2004, the fair values of the obligations under the purchase side of these forward contracts amounted to $8.1 million and the fair values of the obligations under the sale side of these forward contracts amounted to $8.1 million.

The Idaho Millennium Fund, which is made up of the tobacco settlement receipts, is reported as part of the General Fund. The receipts are not legally restricted in how they can be used. In accordance with *Idaho Code*, Section 67-1801, the STO is granted the authority to separately invest the assets as authorized by the standards of *Idaho Code*, Section 68-502.

Boise State University invests in interest-only U.S. Treasury strips (a derivative) to maximize yields. These investments are based on cash flows from interest payments on underlying U.S. Treasury Securities. The underlying securities are guaranteed by the U.S. government and do not present the same level of risk as do other forms of derivatives.

Donor-Restricted Investments

Idaho's permanent endowments include the Public School Endowment and the Pooled Endowment funds. Both funds have a nonexpendable permanent corpus and an earnings reserve account, which is used to receive earnings and to pay beneficiaries and expenses. The EFIB invests the revenues generated from the management and/or sale of endowment lands in accordance with *Idaho Code*, Title 57, Chapter 7, which also governs the spending of net appreciation from these investments. At June 30, 2004, net appreciation of restricted investments was $66,425,257 and $31,147,919 for Public School and Pooled funds, respectively. Net appreciation of investments is reported as part of restricted net assets.

Idaho Public Television (IPTV), a nonmajor special revenue fund, holds investments with a fair value of $4.7 million in the form of cash and cash equivalents, U.S. government obligations, and marketable securities. Investments are held in the name of Friends Foundation. The principal amount with a fair value of $2.5 million is to remain intact for donor-restricted purposes. The IPTV Foundation Board authorizes the amount of net appreciation that IPTV may spend. IPTV determines the purpose of the expenditures. At June 30, 2004, net appreciation was $882,060 and is reflected in unrestricted net assets.

Special revenue funds received donor-restricted endowments of $872,357 for various programs.

NOTE 3. EXTERNAL INVESTMENT POOL

Overview of the State Treasurer's Authority

Idaho Code, Section 67-2328, authorizing the Joint Exercise of Powers Trust Fund, permits the State Treasurer's Office (STO) to sponsor an investment pool. Other Idaho governmental entities (cities, counties, school districts, etc.) can voluntarily place excess funds in the investment pool to earn higher interest rates. The Joint Exercise of Powers Trust Fund, also referred to as the Local Government Investment Pool (Pool), is reported as a fiduciary-type investment trust fund. The STO may also invest state money in the Pool. The STO must operate and invest the funds for the benefit of the participants, in accordance with *Idaho Code,* Sections 67-1201 through 67-1222. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body.

Investments are converted to fair value at June 30 in accordance with GASB Statement No. 31. Fair value is defined as the amount at which an investment could be exchanged between willing parties, other than a forced liquidation sale. Investments were valued through a quoted market price. The Pool operates and reports to participants on an amortized cost basis. Specifically, the Pool distributes earnings monthly to the participants,

based on their relative participation during the month. Distributed earnings are calculated based on 1) realized gains and losses calculated on an amortized cost basis; 2) interest income; 3) amortization of discounts and premiums on a straight-line basis; and 4) administrative expenses. This method differs from the fair value method used to value investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair value of the Pool's investments. Thus the participant's share of the Pool is not based on fair value. The STO does not provide any legally binding guarantees to support the value of shares to the participants. No separate reports of the external investment pool have been issued. The assets in these notes will not agree to the asset amounts included in the fiduciary fund financial statements for the Pool because GASB Statement No. 31 requires that only the external portion of investment pool assets be reported in that fund. The internal portion of assets is reported in the applicable individual fund or component unit.

Securities Lending

The Pool engages in securities lending transactions. The STO securities custodian manages the securities lending program. During the year, the custodian lent U.S. government securities, equity securities, and corporate bonds or notes for cash collateral. The cash collateral can be pledged without borrower default. The investments are collateralized at 102 percent of the market and restated to the fair value on a daily basis. There are no restrictions on the amount of loans that can be made. Either the State or the borrower can cancel all securities lending agreements upon demand.

The cash collateral received is invested by the custodian and held in a separate account in the name of the STO. Cash is only reinvested in repurchase agreements with terms equally matching the actual securities lent. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end the STO had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. At year-end there was no custodial credit risk because the securities were held by the State's agent and not by the counterparty.

At June 30 the carrying amount and fair value of the lent securities was $762,235,340 and $754,183,007, respectively. The fair value of the collateral received for these lent securities was $768,820,761.

The external investment pool investments at June 30, 2004 are as follows:

Summary of Fair Value
(in thousands)

Security	Amortized Cost	Fair Value	Purchase Yield	Maturity
Commercial Paper*	$74,920	$74,920	1.166% - 1.301%	07/04
Repurchase Agreements	100,000	100,000	1.806% - 2.420%	11/05 - 11/06
Corporate Debt Instrument	146,049	146,239	1.391% - 5.187%	07/04 - 03/09
United States Treasury Obligations	90,404	86,787	1.460% - 1.582%	10/04 - 08/05
Federal Farm Credit Bank	41,706	40,250	2.102% - 2.302%	06/05 - 07/06
Federal Home Loan Bank	196,975	194,093	1.893% - 4.365%	11/04 - 07/08
Federal Home Loan Mortgage Corp.	189,883	186,395	1.260% - 3.589%	08/04 - 05/08
Federal National Mortgage Assoc.	231,341	229,117	1.131% - 4.023%	07/04 - 09/08
Purchase Accrued Interest*	80	80		07/04 - 10/04
Money Market Account *	357,227	357,227		
Total Securities	1,428,585	1,415,108		
Securities Lending Collateral	768,821	768,821		
Total	**$2,197,406**	**$2,183,929**		

*Represents Cash and Cash Equivalents

All Pool investments are insured or registered, or are securities held by the Pool or its agent in the Pool's name. Deposits are not insured or otherwise guaranteed by the State.

The administrative costs associated with the Pool are paid to the STO on a monthly basis by a transfer from the Pool to the STO operating fund.

Calculation of Change in Fair Value

The State uses the aggregate method for determining the increase (decrease) in fair value of the investments in the Pool. The schedule below shows the increase in the fair value of investments during fiscal year 2004 (*in thousands*):

Fair Value at June 30, 2004	$1,415,108
Add: Proceeds of Investments Sold in FY04	3,850,835
Less: Cost of Investments Purchased in FY04	(3,946,604)
Fair Value at June 30, 2003	(1,339,265)
Change in Fair Value of Investments During FY04	($19,926)

The Joint Exercise of Powers Trust Fund condensed financial statements, inclusive of external and internal participants, at June 30, 2004, are as follows:

Joint Exercise of Powers Trust Fund
Statement of Net Assets
June 30, 2004
(in thousands)

Assets	
Cash and Cash Equivalents	$432,227
Investments, at Fair Value	982,881
Interest Receivable to the Pool	8,450
Securities Lending Collateral	768,821
Total Assets	2,192,379
Liabilities	
Distributions Payable	176
Obligations Under Securities Lending	768,821
Total Liabilities	768,997
Net Assets Held in Trust for Pool Participants	**$1,423,382**
Net Assets Consist Of:	
External Participant Units Outstanding ($1.00 par)	$1,393,397
Internal Participant Units Outstanding ($1.00 par)	29,985
Net Assets Held in Trust for Pool Participants	**$1,423,382**
Total Participant Units Outstanding ($1.00 par)	1,423,382
Participant Net Asset Value, Offering Price, and Redemption Price per share ($1,428,584,603 / 1,423,382,155 units)	$1.00

Joint Exercise of Powers Trust Fund
Statement of Operations and Changes in Net Assets
For the Fiscal Year Ended June 30, 2004
(in thousands)

Investment Income		
Interest Income (at Stated Rate of Interest)		$46,583
Securities Lending Income		1,409
Net Increase (Decrease) in Fair Value of Investments		(19,926)
Total Investment Income		28,066
Expenses		
Administrative Fees	($242)	
Securities Lending Fees	(420)	
Total Investment Expenses		(662)
Net Investment Income (Net Increase in Net Assets as a Result of Operations)		27,404
Distributions to Participants		
Distributions Paid and Payable		(27,754)
Share Transactions at Net Asset Value of $1.00 per Share		
Pooled Participant Deposits	2,807,251	
Pooled Participant Withdrawals	(2,721,977)	
Net Increase (Decrease) in Net Assets and Shares Resulting From Share Transactions		85,274
Total Increase (Decrease) in Net Assets		84,924
Net Assets Held in Trust for Pool Participants		
Beginning of Period		1,338,458
End of Period		**$1,423,382**

NOTE 4. INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at June 30, 2004, consist of the following receivables and payables:

	Interfund Payables							
Interfund Receivables	General Fund	Health and Welfare	Trans-portation	Endowment Funds	Nonmajor Special Revenue	Nonmajor Enterprise	Internal Service	**Total**
General Fund					$523,103		$6,000	**$529,103**
Health and Welfare					15,350			**15,350**
Transportation	$1,500	$4,775						**6,275**
Nonmajor Special Revenue	19,987	480,980	$239,217	$750,000	1,364,069			**2,854,253**
College and University	88,519	942,750			503,564			**1,534,833**
Nonmajor Enterprise	77,386	7,295	134,073		43,206	$31,022		**292,982**
Internal Service	27,647	576,804	21,480		71,417		1,198	**698,546**
Total	**$215,039**	**$2,012,604**	**$394,770**	**$750,000**	**$2,520,709**	**$31,022**	**$7,198**	**$5,931,342**

Interfund receivables and interfund payables generally consist of short-term receivables and payables for goods and services provided by one individual fund within the State to another. Most balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, or 3) payments between funds are made.

The receivables not expected to be collected within one year include $301,498 advanced by the General Fund to nonmajor special revenue funds and $1,178,612 advanced from nonmajor special revenue funds to other nonmajor special revenue funds.

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2004, are as follows:

		Transfers In				
		General	Health and Welfare	Nonmajor Special Revenue	College and University	Loan	**Total**
Transfers Out	General Fund		$360,386,850	$24,375,833	$249,499,973	$520,000	**$634,782,656**
	Health and Welfare	$22,079					**22,079**
	Transportation			14,956,585			**14,956,585**
	Public School Endowment	37,750,000					**37,750,000**
	Pooled Endowment	6,305,000			11,050,000		**17,355,000**
	Nonmajor Special Revenue	68,107,746	2,690,602	718,613		2,900,000	**74,416,961**
	College and University			2,822,301			**2,822,301**
	Unemployment Compensation			6,159,216			**6,159,216**
	Nonmajor Enterprise	26,945,000	1,850,000				**28,795,000**
	Internal Service	91,102					**91,102**
	Total	**$139,220,927**	**$364,927,452**	**$49,032,548**	**$260,549,973**	**$3,420,000**	**$817,150,900**

Interfund transfers are primarily performed for two reasons: 1) taxes, fees, penalties, earnings, and other revenues are transferred from the agencies that initially collect them (such as the Tax Commission) to the General Fund and other funds as dictated by state law; and 2) revenues are transferred from the fund that is statutorily required to collect them to the fund that is directed, by budgetary authorization, to spend them.

During fiscal year 2004, the following transfers were made that were not routine in nature or were inconsistent with the activities of the fund making the transfer: $2,750,000 from the General Fund to the Miscellaneous special revenue fund to support an investment plan which would increase the fair value of the Capitol Permanent Endowment account and $520,000 from the General Fund to the Loan fund to help support the Eastern Snake Plain Aquifer studies.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, is as follows:

Primary Government Governmental Activities:	Balances at July 1, 2003 As Adjusted	Increases	Decreases	Balances at June 30, 2004
Capital Assets not Being Depreciated:				
Land	$858,534,143	$27,945,513	($4,575,814)	$881,903,842
Construction in Progress	484,052,524	219,146,089	(78,051,782)	625,146,831
Infrastructure	1,690,917,505	43,700,276	(1,513,468)	1,733,104,313
Historical Art and Collections	2,279,143		(206,541)	2,072,602
Total Capital Assets not Being Depreciated	3,035,783,315	290,791,878	(84,347,605)	3,242,227,588
Capital Assets Being Depreciated:				
Buildings and Improvements	447,230,617	8,654,044	(3,181,966)	452,702,695
Improvements Other Than Buildings	29,121,250	7,419,985	(4,270,900)	32,270,335
Machinery, Equipment, and Other	284,286,138	36,132,266	(27,000,017)	293,418,387
Infrastructure	454,012,869	1,740,679	(35,687)	455,717,861
Total Capital Assets Being Depreciated	1,214,650,874	53,946,974	(34,488,570)	1,234,109,278
Less Accumulated Depreciation for:				
Buildings and Improvements	(191,927,410)	(10,474,496)	296,305	(202,105,601)
Improvements Other Than Buildings	(7,811,339)	(1,351,195)	140,833	(9,021,701)
Machinery, Equipment, and Other	(164,651,888)	(18,969,831)	8,047,664	(175,574,055)
Infrastructure	(113,763,419)	(6,308,325)		(120,071,744)
Total Accumulated Depreciation	(478,154,056)	(37,103,847)	8,484,802	(506,773,101)
Total Capital Assets Being Depreciated, Net	736,496,818	16,843,127	(26,003,768)	727,336,177
Governmental Activities Capital Assets, Net	**$3,772,280,133**	**$307,635,005**	**($110,351,373)**	**$3,969,563,765**

Beginning balances were adjusted for reclassification of historical art and collections from machinery and equipment, and for capitalization of construction costs and capital assets acquired or disposed of in prior periods.

Business-Type Activities:	Balances at July 1, 2003 As Adjusted	Increases	Decreases	Balances at June 30, 2004
Capital Assets not Being Depreciated:				
Land	$27,227,949	$9,131,504	($92,884)	$36,266,569
Construction in Progress	59,508,688	53,878,999	(38,741,034)	74,646,653
Historical Art and Collections	2,193,401	17,118	(30,000)	2,180,519
Total Capital Assets not Being Depreciated	88,930,038	63,027,621	(38,863,918)	113,093,741
Capital Assets Being Depreciated:				
Buildings and Improvements	669,770,848	59,087,355	(2,886,198)	725,972,005
Improvements Other Than Buildings	42,282,314	511,504	(178,781)	42,615,037
Machinery, Equipment, and Other	264,666,193	20,378,456	(6,211,789)	278,832,860
Total Capital Assets Being Depreciated	976,719,355	79,977,315	(9,276,768)	1,047,419,902
Less Accumulated Depreciation for:				
Buildings and Improvements	(225,559,002)	(18,790,934)	2,623,752	(241,726,184)
Improvements Other Than Buildings	(16,896,631)	(1,731,670)	50,621	(18,577,680)
Machinery, Equipment, and Other	(174,810,609)	(19,150,255)	5,398,794	(188,562,070)
Total Accumulated Depreciation	(417,266,242)	(39,672,859)	8,073,167	(448,865,934)
Total Capital Assets Being Depreciated, Net	559,453,113	40,304,456	(1,203,601)	598,553,968
Business-Type Activities Capital Assets, Net	**$648,383,151**	**$103,332,077**	**($40,067,519)**	**$711,647,709**

Beginning balances were adjusted for reclassification of historical art and collections from machinery and equipment, and for capital assets acquired or disposed of in prior periods.

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
General Government	$5,637,413
Public Safety and Correction	6,048,101
Health and Human Services	1,572,900
Education	2,096,239
Economic Development	14,126,949
Natural Resources	6,348,488
In addition, depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their usage of the assets	1,273,757
Total Depreciation Expense for Governmental Activities	**$37,103,847**
Business-Type Activities:	
College and University	$38,138,850
Loan	137,040
Nonmajor Enterprise	1,396,969
Total Depreciation Expense for Business-Type Activities	**$39,672,859**

Discretely Presented Component Units	Balances at July 1, 2003	Increases	Decreases	Balances at June 30, 2004
Capital Assets not Being Depreciated:				
Land	$7,468,919	$15,922,099	($600,000)	$22,791,018
Construction in Progress	20,563,695	332,197	(20,895,892)	0
Total Capital Assets not Being Depreciated	28,032,614	16,254,296	(21,495,892)	22,791,018
Capital Assets Being Depreciated:				
Buildings and Other Improvements	14,016,243	107,081		14,123,324
Machinery, Equipment, and Other	17,699	527		18,226
Total Capital Assets Being Depreciated	14,033,942	107,608	0	14,141,550
Less Accumulated Depreciation for:				
Buildings and Other Improvements	(1,863,144)	(372,081)		(2,235,225)
Machinery, Equipment, and Other	(16,002)	(1,285)		(17,287)
Total Accumulated Depreciation	(1,879,146)	(373,366)	0	(2,252,512)
Total Capital Assets Being Depreciated, Net	12,154,796	(265,758)	0	11,889,038
Component Unit Activities Capital Assets, Net	**$40,187,410**	**$15,988,538**	**($21,495,892)**	**$34,680,056**

NOTE 6. RETIREMENT PLANS

Summary of Plans

The Public Employee Retirement System of Idaho (PERSI) administers the Public Employee Retirement Fund Base Plan (PERSI Base Plan), the Firemen's Retirement Fund (FRF), and the defined contribution retirement plans. A retirement board, appointed by the Governor and confirmed by the State Senate, manages PERSI, which includes selecting the funding agents and establishing funding policy. The Idaho Judicial Department, under the direction of the Idaho Supreme Court, administers the Judges' Retirement Fund (JRF). The Teachers' Insurance and Annuity Association-College Retirement Equities Fund administers an Optional Retirement Plan (ORP) for the colleges and universities. The Idaho Department of Labor administers a closed retirement plan for employees of the Idaho Department of Labor hired prior to October 1, 1980.

PERSI issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee Retirement System of Idaho, P.O. Box 83720, Boise, ID 83720-0078.

Each of the PERSI administered plans, the JRF, the ORP, and the Labor Retirement are discussed individually below.

A. Public Employee Retirement Fund Base Plan

Plan Description

Organization and Purpose
The PERSI Base Plan is a cost-sharing, multiple-employer defined benefit retirement plan. It is governed by *Idaho Code*, Sections 59-1301 through 59-1399 and Sections 50-1501 through 50-1526.

Membership
State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the PERSI Base Plan. Participation is mandatory for state employees who normally work 20 or more hours a week for five or more consecutive months. As of June 30, 2004, the number of participating employer units was 675 and actual benefit recipients and members were as follows:

Retirees, Beneficiaries, and Vested Terminated Employees	34,161
Current Active Employees	63,385
Total	97,546

Benefits
The benefit structure is based on member's years of service, age, and highest average salary. In addition, benefits are provided for disability or death and to survivors of eligible members or beneficiaries. Members

are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus service. The annual service retirement allowance for each month of credited service is 2 percent (2.3 percent for police) of the average monthly salary for the highest consecutive 42 months.

The benefit payments are calculated using a benefit formula adopted by the Idaho Legislature. The PERSI Base Plan is required to provide a 1 percent minimum cost of living increase per year provided the Consumer Price Index increases 1 percent or more. The PERSI Retirement Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6 percent, whichever is less; however, any amount above the 1 percent minimum is subject to approval by the Legislature.

Summary of Significant Accounting Policies

The PERSI Base Plan's basic financial statements are prepared using the accrual basis of accounting and flow of economic resources measurement focus. Employee and employer contributions are recognized as revenues in the period in which employee services are performed, investment income is recognized when earned, and benefit payments, refunds, and other expenses are recorded when the benefits are due and payable in accordance with the Plan's terms. PERSI adheres to GASB Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.*

Investments are presented at fair value. Purchases and sales are recorded at the trade date. Investments held by the PERSI Base Plan and the FRF are commingled. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments has been estimated based on independent appraisals. Short-term investments are reported at market value when published market prices and quotations are available or at cost plus accrued interest, which approximates market value.

Funding Policy

Contributions and Vesting
Funding policy for the PERSI Base Plan is determined by the Board within limitations, as defined by Idaho law. The funding policy provides for periodic emp loyer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period permitted under *Idaho Code*, Section 59-1322, is 25 years. The payroll for employees covered was approximately $2,087,000,000.

Employer contributions required and paid were $69,286,393, $68,218,516, and $69,584,530, for the years ended June 30, 2004, 2003, and 2002, respectively.

Actuarial valuations are performed annually. The last valuation was performed as of July 1, 2004. Normal cost is 14.03 percent of covered payroll and the amount available to amortize the unfunded actuarial liability is 4.79 percent of covered payroll.

The contribution rates for the year ended June 30, 2004, are as follows:

Employee Group	Employer	Employee
PERSI		
General	9.77%	5.86%
Police and Fire	10.11%	7.21%
ORP Employees of Higher Education		
Colleges and Universitie	3.03%	N/A
Junior Colleges	3.83%	N/A

After five years of credited service (five months for elected or appointed officials), members become fully vested in retirement benefits earned to date. Upon termination of employment, accumulated member contributions plus interest accrued at 3.22 percent January 1, through June 30, 2004; and 1.90 percent July 1, to December 31, 2003; compounded monthly per annum, are refundable. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Funding
Contributions from members and employers, and earnings from investments, fund PERSI Base Plan benefits. Member and employer contributions are a percentage of applicable member compensation. As defined by state law, member contribution rates are a percentage of the employer contribution rate. Employer contribution rates are recommended by periodic actuarial valuations and are subject to the approval of PERSI's Retirement Board and set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of PERSI. Costs of administering the plans are financed through the contributions and investment earnings of the system.

B. Firemen's Retirement Fund

Plan Description

The FRF is a cost-sharing, multiple-employer defined benefit retirement plan. The FRF is governed by *Idaho Code*, Sections 72-1401 through 72-1472. The FRF is administered by the Public Employee Retirement System of Idaho (PERSI), which is part of the primary government. However, the State does not employ firefighters participating in the FRF; therefore, no employer costs are disclosed. As of June 30, 2004, there were 22 participating employer units, all consisting of local fire departments, in the system. The significant accounting policies are the same as detailed for the PERSI Base Plan. Complete FRF disclosures may be found in the PERSI financial statements.

C. Defined Contribution Retirement Plans

The defined contribution retirement plans include the 401(k) plan and the 414(k) plan. The plans are governed by *Idaho Code*, Sections 59-1301 through 59-1399. Participants direct their investment mix without restriction and may elect to change their salary deferral every pay period.

Plan Description

Organization and Purpose
The assets of the two plans are commingled for investment and recordkeeping purposes. The 401(k) plan is open to all active PERSI Base Plan members and was established February 1, 2001. The 414(k) plan was established for gain sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on funding levels in the PERSI Base Plan.

PERSI entered into a contract with Mellon HR Solutions for services relating to eleven investment options that are mutual or collective funds and include the PERSI Total Return Fund, seven equity funds, two fixed income funds, and a stable value fund. Participants may allocate their assets in one percent increments among these options; however, if no allocation preference is indicated, a default investment election to the PERSI Total Return Fund is made.

Membership
The plans have 675 employer units eligible to have participating employees. As of June 30, 2004, there were 48,644 participants.

Benefits
On May 1, 2001, the 401(k) plan became open to voluntary employer matching contributions at rates determined by the employers. Eligibility for the 414(k) gain sharing requires twelve months of active PERSI membership as defined in Idaho statutes and PERSI rules. On February 1, 2001, all eligible PERSI Base Plan members who were active as of June 30, 2000, and eligible to receive gain sharing contributions, received an allocation.

Summary of Significant Accounting Policies

The significant accounting policies are the same as the PERSI Base Plan.

Funding Policy

Contributions
Beginning in January 2002, employees in the 401(k) plan could make tax-deferred contributions at 1-100 percent of their gross salary less deductions and subject to the IRS annual contribution limit. Employers and participants in the plans contributed $236,121 and $17,489,692, respectively, during the year ended June 30, 2004.

Funding
The administrative expenses of the plans, most of which are paid to Mellon HR Solutions, are funded by the PERSI Base Plan.

D. Judges' Retirement Fund

Plan Description

Organization and Purpose
The Judges' Retirement Fund (JRF) is a single-employer defined benefit retirement plan, which provides retirement benefits for justices of the Idaho Supreme Court, court of appeals judges, and district court judges, hereinafter referred to as "members." The Idaho Judicial

Department, under the direction of the Idaho Supreme Court, administers the JRF. The JRF is guided by *Idaho Code*, Sections 68-501 through 68-506, *Idaho Code*, Title 1, Chapter 20, and *Idaho Code*, Section 59-1301, and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments.

The JRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Idaho Supreme Court, P.O. Box 83720, Boise, ID 83720-0101.

Membership
As of June 30, 2004, the JRF had 64 retired members or beneficiaries collecting benefits, 8 terminated members entitled to but not yet receiving benefits, and 48 active members.

Benefits
The benefit structure is based on member's years of service and compensation. In addition, benefits are provided for disability or death and to survivors of eligible members. The benefit payments for the JRF are calculated using a benefit formula adopted by the Idaho Legislature, effective July 1, 2000. Members serving prior to but not on July 1, 2000, are paid under option A. Members serving on or after July 1, 2000, may choose between two benefit payment options, A or B. Both options are based upon compensation of the highest office in which the member served, with benefits for option A accumulating as follows:

- For the first 10 years of service, benefits are credited at 5 percent per year of member's compensation.
- For the remaining years of service, benefits are credited at 2.5 percent per year of member's compensation.

In addition to the above benefits, option B offers:

- Benefits accumulated at 2.5 percent per year for senior judges with 5 years of service.

The maximum benefit is 75 percent of compensation. Surviving spouses will be entitled to benefits equal to 50 percent of the member's calculated benefit.

Summary of Significant Accounting Policies

The JRF's financial statements are prepared using the accrual basis of accounting. Member and department contributions are recognized as revenues in the period in which the member's services are performed. Investment income and filing fees are recognized when earned. Benefit payments and refunds are recognized when the obligation is due and payable in accordance with terms of the plan. Other expenditures are recognized when the obligation is incurred.

The JRF's investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Short-term investments are reported at market value when published market prices and quotations are available or at cost plus accrued interest, which approximates market value. Purchases and sales are recorded at the trade date.

Funding Policy

Contributions and Vesting
Members and the Judicial Department contribute to the JRF during the members' first 20 years of employment. Member and department contributions are a percentage of member compensation as defined by state law. JRF policy provides for department and member contributions at 7 percent and 6 percent, respectively, of annual covered payroll. The payroll for members covered by the JRF was approximately $4,230,283 for the year ended June 30, 2004. In addition, specified court-filing fees in civil court actions are dedicated to the JRF.

The funding status and required contribution levels are reviewed periodically by an actuary using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. Actuarial valuations of the JRF are generally performed biennially. Based on the most recent actuarial valuation as of July 1, 2004, the annual required contribution (ARC) was $2,086,442. Total contributions to the pension plan for the fiscal year ended June 30, 2004, amounted to $2,110,618, of which $1,556,443 was received from filing fees and $298,404 and $255,771 were made by the Judicial Department and its justices and judges, respectively. Net pension obligation increased from $124,280 in 2003 to $374,765 in 2004 due to the annual pension cost exceeding the employer's contributions. There was no net pension obligation prior to 2002.

The State's annual pension cost and net pension obligation to JRF for the current year and two preceding years are as follows:

Idaho Judges' Retirement Fund
Annual Pension Cost and Net Pension Obligation

	2004	2003	2002
Annual Required Contribution, ARC	$2,086,442	$1,942,073	$1,794,457
Interest on Net Pension Obligation, NPO	9,321	1,384	
Adjustment to ARC	(11,146)	(1,655)	
Annual Pension Cost (APC)	2,084,617	1,941,802	1,794,457
Employer Contributions Made	(1,834,132)	(1,835,974)	(1,776,005)
Increase (Decrease) in NPO	250,485	105,828	18,452
Prior Year Net Pension Obligation	124,280	18,452	
Current Year Net Pension Obligation	$374,765	$124,280	$18,452
Percentage of APC Contributed	87.9%	94.6%	99.0%

There was no net pension obligation prior to 2002.

Members become fully vested in their retirement benefits after four years of credited service. If a member terminates from the retirement plan prior to four years of service, the member's contributions plus 6.5 percent per annum will be returned. Members are eligible for retirement benefits upon attainment of age 65 or after 20 years of service.

Funding
The JRF's benefits are funded by contributions from members and the Judicial Department, earnings from investments, and court filing fees. Costs of administering the JRF are financed through the contributions and investment earnings of the JRF.

E. College and University Optional Retirement Plan

Plan Description

Organization and Purpose
Effective July 1, 1990, the State Legislature authorized the Idaho State Board of Education to establish the Optional Retirement Plan (ORP), a defined contribution plan for college and university faculty and exempt employees. The ORP is governed by *Idaho Code*, Sections 33-107A and 33-107B. Vendor options include Teachers' Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company. The Plan is administered by TIAA-CREF, and they may be reached at (800) 842-2009.

Membership
New faculty and exempt employees hired July 1, 1990, or thereafter, automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1990, had a one-time opportunity to enroll in the ORP.

Funding Policy

Contributions and Vesting
The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State. Although enrollees in the ORP no longer belong to PERSI, the employer is required to contribute 3.03 percent of the annual covered payroll to PERSI through July 1, 2015. During the year ended June 30, 2004, this supplemental funding payment made to PERSI was $4,781,030.

The contribution requirement and amount paid for the year ended June 30, 2004, was $23,290,832, which consisted of $12,301,033 from the colleges and universities and $10,989,799 from employees. These contributions represented approximately 7.72 percent and 6.89 percent of covered payroll.

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age (62 years of age for University of Idaho).

F. Department of Labor Retirement Plan

Plan Description

Organization and Purpose
This stand-alone, insured retirement plan provides retirement benefits for employees (and their beneficiaries) of the Idaho Department of Labor hired prior to October 1, 1980. The Plan is governed by *Idaho Code*, Section 72-1335 and U.S. Department of Labor Rules and Regulations. The Labor Retirement Plan is administered by the Idaho Department of Labor, which may be reached at (208) 332-3570 ext. 3228.

Membership
There are 79 current participating employees of the Idaho Department of Labor and 389 retired former employees or beneficiaries receiving benefits in the Labor Retirement Plan.

Benefits
The retirement benefit payments are calculated using a benefit formula established by the Plan. This monthly benefit is payable for life, through an annuity purchased by Prudential Investments, with 120 payments guaranteed. An annuity is purchased for each retired employee. Once an annuity is purchased, the State has no further liability. Prudential Investments has guaranteed to pay for benefits in the event of Prudential's insolvency. At September 30, 2003 (the last actuarial valuation date), there was no unfunded liability. The normal service retirement allowance is the average annual salary for the highest three consecutive years times 2 percent for each year of credited service.

According to the latest periodic actuarial valuation on September 30, 2003, the present value of future retirement benefits was $117,477,000. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7 percent for 2003. Net assets available for benefits (at fair value) are $156,915,000.

Funding Policy

Contributions
Until August 1999, the employee contributed a portion (7 percent) of the normal cost contribution rate. The employee contribution was required by the Plan and was therefore made even though it was not actuarially needed to finance future benefits. In August 1999, the U.S. Department of Labor approved a plan change to allow the plan actuary to determine the employee contribution rate. Employee contributions were then suspended through September 30, 2004, consistent with the most recent actuarial valuations. This valuation certified that the total contribution rate should remain at zero through September 30, 2005. The total employer contribution for fiscal year 2003 was zero. The employer payments have been fully funded by federal revenues from the U.S. Department of Labor.

NOTE 7. POSTEMPLOYMENT BENEFITS

The State funds or partially funds the following postemployment benefits relating to health, disability, and life insurance. *Idaho Code*, Sections 67-5760 and 67-5761, establishes the benefits and obligations to contribute.

A. Postemployment Benefits Other Than Pensions

Retiree Health Insurance Subsidy

A retired officer or employee of a state agency, department, or institution, including state officials and elected officials, who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI) and whose unreduced PERSI monthly benefit at the time of retirement would meet or exceed the monthly cost of single retiree health insurance coverage, may elect to have the State's retiree health insurance coverage for themselves and eligible dependents. To be eligible, state employees must enroll within sixty days of the date of their retirement and must have ten or more years (20,800 or more hours) of credited state service in a state-sponsored retirement system. If the date of enrollment is deferred beyond the original date of retirement, the employee's monthly retirement benefit amount must equal or exceed the single retiree premium at the time of the deferred enrollment.

The retiree coverage is different than that for active employees. The retiree pays the majority of the premium cost (unless they are participating in the sick leave fund described later). However, the retiree plan costs are subsidized by the active employee plan. In fiscal year 2004, the State contributed eight dollars per active non-retired employee per month and the active employees contributed an equal amount, which went to

a reserve to offset the monthly costs of the retirees' benefits. Other than an aging population, there are no significant matters that affect comparability of the State's costs from one year to the next. The State's monthly contribution (towards the monthly premium) of $145,611 was approximately 4.2 percent of the total annual state and employee contribution of $3,494,672. The State's annual contribution towards the retiree premium cost was approximately $1,747,336. A total of 3,104 retired employees were eligible to receive benefits as of June 30, 2004. The Legislature has not set aside any assets to pay future benefits. The benefits are pay-as-you-go.

Long-Term Disability

Long-term disability benefits are available for disabled employees, generally up to a maximum age of 70. Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired for the first 30 months of disability, or any job thereafter for which they are reasonably qualified by experience, education, or training. Additionally, to qualify for long-term disability, the waiting period of the later of 26 weeks of continuous total disability or exhaustion of accrued sick leave must be met. The gross benefit equals 60 percent of monthly salary or $3,000 (whichever is smaller). The benefit does not increase with inflation, and it may be offset by other disability benefits from Social Security, Workers' Compensation, or PERSI. The State pays 100 percent of the cost of the program.

Long-term disability benefits are insured by the Principal Life Insurance Company until the end of the fiscal year following the fiscal year during which the disability occurs. Claims extending beyond that point are self-funded by the State in accordance with generally recognized and accepted actuarial principles and practices. Each fiscal year, the State funds the estimated actuarial present value of benefits for disabilities incurred in that fiscal year. In addition, funding for disabilities incurred in prior fiscal years is adjusted periodically to reflect unanticipated changes in number of claimants or benefit levels. Significant actuarial assumptions include an interest rate of 5.5 percent (based on the most recent actuarial report available) and a standard disability termination table.

Plan assets are valued at cost, and as of June 30, 2003, the net assets available for future payments were $18,789,675. The actuarial accrued liability for disabilities incurred in fiscal year 2003 and all prior fiscal years was $15,230,000 as of June 30, 2003, and there was no unfunded actuarial accrued liability. The actuarial accrued liability was $22,420,000 on an undiscounted basis.

The State's actuarially required and actual contribution for the fiscal year ending June 30, 2003, was 0.505 percent of payroll. As of June 30, 2003, there were 282 disabled employees receiving this benefit.

Payment of Life Insurance Premiums for Disabled Employees

The State pays 100 percent of the cost of basic life and dependent life coverage for disabled employees, generally up to a maximum age of 70. Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired for the first 30 months of disability, or any job thereafter for which they are reasonably qualified by experience, education, or training. The life insurance benefit amount is generally 100 percent of annual salary, but not less than $20,000. The benefit does not increase with inflation.

The State holds a reserve to self-fund the life claims for disabled employees in the event of contract termination with the Principal Life Insurance Company. This reserve is determined annually in accordance with generally recognized and accepted actuarial principles and practices and funded periodically by the State. Significant actuarial assumptions include an interest rate of 5.5 percent and a standard waiver of premium life table.

Plan assets are valued at cost, and as of June 30, 2003, the net assets available for future payments were $4,916,301. The actuarial accrued liability for disabilities incurred in fiscal year 2003 and all prior fiscal years was $6,900,000 as of June 30, 2003, and the unfunded actuarial accrued liability was $1,983,699. The actuarial accrued liability was $9,420,000 on an undiscounted basis.

An actuarially required contribution was not determined, and no contribution was made for the fiscal year ending June 30, 2003. As of June 30, 2003, there were 528 disabled employees receiving this benefit.

Payment of Health Insurance Premiums for Disabled Employees

For up to 30 months following the date of disability, the State pays 100 percent of the State's share of medical/dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for these benefits.

Each fiscal year, the State funds the estimated actuarial present value of benefits for disabilities incurred in that fiscal year. In addition, funding for disabilities incurred in prior fiscal years is adjusted periodically to reflect unanticipated changes in number of claimants or benefit levels. The reserves and funding amounts are determined in accordance with generally recognized and accepted actuarial principles and practices. Significant actuarial assumptions include a standard disability termination table, a medical trend rate of 15 percent, and a discount rate of 4 percent. Plan assets are valued at cost, and as of June 30, 2003, the net assets available for future payments were $313,522. The actuarial accrued liability for disabilities incurred in fiscal year 2003 and all prior fiscal years was $1,210,000 as of June 30, 2003, and the unfunded actuarial accrued liability was $896,478. The actuarial accrued liability was $1,250,000 on an undiscounted basis.

The State's actuarially required and actual contribution for the period was $3.20 per employee per month. As of June 30, 2003, there were 177 disabled employees receiving this benefit.

Long-term disability, payment of life insurance premiums for disabled employees, and payment of health insurance premiums for disabled employees are advance-funded with employer contributions on an actuarially determined basis using the one-year term cost method.

B. Postemployment Healthcare Benefits Administered by the Public Employee Retirement System of Idaho

Sick Leave Insurance Reserve Fund

School districts and state agencies provide for the payment of certain postretirement health insurance premiums. This postretirement benefit is a defined contribution plan that provides a benefit to retirees based on unused accumulated sick leave at their retirement date.

The Public Employee Retirement System of Idaho (PERSI) acts as an administrator for this fund on behalf of the employers. The employers finance the program by remitting a percentage of payrolls to PERSI to cover future insurance premiums. Employers are responsible for any unfunded benefit obligations. The Sick Leave Insurance Reserve fund assets are valued at market value.

Idaho Code, Sections 67-5339, 33-1216, and 33-1228, governs this program which provides for the transfer of amounts from the fund to a retiree's sick leave account for the payment of postretirement health benefits as may be maintained by the employer. The sick leave amount available for benefits is based on the following:

School District Retirees – one-half of their sick leave balance and rate of compensation at retirement.
State Retirees – one-half of their sick leave balance and rate of compensation at retirement, up to the maximum described below:

Credited Hours of State Service	Maximum Allowable Hours
0 - 10,400 (0 - 5 years of service)	420
10,401 - 20,800 (5 - 10 years of service)	480
20,801 - 31,200 (10 - 15 years of service)	540
31,201+ (15 years of service or more)	600

Actuarial information for postemployment healthcare benefits from the most recent valuations dated July 1, 2003, is as follows:

	General Employees/ Fire and Police	Teachers	Total
Active Participants	45,539	16,846	62,385
Contributions Required and Paid	$8,641,516	$8,442,737	$17,084,253
Rate of Contribution	0.65%	1.15%	

The Fund is advance-funded with employer contributions on an actuarially determined basis using the entry age actuarial cost method. Postretirement health insurance premiums are paid from the retiree's sick leave account until the account balance is exhausted.

NOTE 8. RISK MANAGEMENT

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through the Risk Management and Group Insurance funds (internal service funds) and various outside entity insurance providers.

The Risk Management fund manages property and general liability risk. The Fund also finances and accounts for other risks not covered by Group Insurance and various outside entity insurance providers. General liability claims are self-insured up to the *Idaho Tort Claims Act* maximum of $500,000 for each claim. Property damage claims are self-insured for up to $250,000 per claim annually. Comprehensive collision and physical damage to covered vehicles are self-insured for replacement cost. The State purchases commercial insurance for claims not self-insured by the above coverages and for all other identified risks of loss, including workers' compensation insurance.

The Group Insurance fund is used to account for and finance life, health, and disability insurance programs. Long-term disability benefits within Group Insurance are partially insured through others but the majority is self-insured. The liability for self-insurance claims has been actuarially determined. Policy claim liabilities are presented in the Group Insurance fund and are comp osed of the liability for self-insured claims and the amounts required to fund premium payments of life and health coverage for disabled employees. Life, short-term disability, and health insurance programs are experience rated and fully insured. However, when the claims exceed 100 percent of the annual premium paid to the insurer, the State is responsible for up to an additional 10 percent of the annual premiums for medical, 10 percent for dental, and 10 percent for life coverage. The insurance carrier assumes the risk of loss for claims above the contractual ceilings. The amount the State is responsible for is accounted for and presented as restricted net assets in the Group Insurance fund. The State also maintains program and premium stabilization balances in the event they exhaust restricted equity. These amounts are included in unrestricted net assets in the Group Insurance fund.

All state entities may participate in the Risk Management and Group Insurance programs. Payments are made to the Risk Management fund based on actuarial estimates, loss experience, exposure, and asset value covered. Payments made to the Group Insurance fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. During fiscal year 2002, medical claim settlements exceeded insurance coverage by $7,127,853. In 2003, medical and dental claim settlements exceeded insurance coverage by $8,586,742 and $247,160, respectively. In 2004, neither medical nor dental claim settlements exceeded insurance coverage.

The liabilities for the Risk Management and Group Insurance funds are based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and GASB Statement No. 30, *Risk Financing Omnibus,* which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities for Risk Management include claim adjustment costs and any anticipated subrogation receipts. At fiscal year-end, $13,513,390 of unpaid claim liabilities for Risk Management are presented at their present value of $11,828,212 using a 4.5 percent discount interest rate. Unpaid claim liabilities of $33,096,334 for Group Insurance are presented at their present value of $23,346,334 using a 5.5 percent discount rate.

Changes in policy claim liabilities for the fiscal years ending June 30, 2003, and 2004, are as follows:

	Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimate	Claims Payments	Ending Balance
Risk Management	2003	$17,848,146	($945,463)	($269,915)	$16,632,768
	2004	16,632,768	(4,549,313)	(255,243)	11,828,212
Group Insurance*	2003	$22,796,471	$0		$22,796,471
	2004	22,796,471	549,863		23,346,334

*Group Insurance amounts are based on the most recent actuarial study for fiscal year 2003 and estimates for fiscal year 2004.

The State records its premium liability using discounted amounts provided by actuaries. The discounted liabilities take into account anticipated investment income. Accounting changes made during the year consisted of a change in accounting estimate. This change reduced the above current year claims, creating a credit expenditure in the Risk Management fund in the Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets for Internal Service Funds.

NOTE 9. LEASES

A. State as Lessee

The State leases office buildings, vehicles, and office equipment. Although the lease terms vary, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancelable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rentals are considered immaterial to the future minimum lease payments and current rental expenditures.

Operating Leases

Operating leases are leases that do not qualify for capitalization; therefore, the lease agreements are not reflected as assets in the State's balance sheet. Operating leases contain various renewal options, as well as some purchase options. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred. The total operating lease expenditures/expenses for fiscal year 2004 were $22,100,609 for the primary government and $42,680 for component units.

Capital Leases

Capital leases are leases the State has entered into that are, in substance, a purchase. At the date of acquisition, the assets are valued on the balance sheet at the present value of the future minimum lease payments. Capital lease assets and obligations are recorded in the respective funds as capital assets and long-term obligations. Interest expense for capital leases is not capitalized.

Future minimum lease commitments for noncancelable operating and capital leases as of June 30, 2004, are as follows:

	Operating Leases			Capital Leases		
Fiscal Year	Primary Government	Component Units	Total Operating Leases	Governmental Activities	Business-Type Activities	Total Capital Leases
2005	$19,841,892	$42,680	$19,884,572	$904,381	$1,198,817	$2,103,198
2006	16,182,094	42,993	16,225,087	612,515	910,784	1,523,299
2007	13,673,663	32,276	13,705,939	560,562	802,742	1,363,304
2008	10,186,027	30,120	10,216,147	560,562	749,394	1,309,956
2009	6,477,562	30,120	6,507,682	451,362	713,168	1,164,530
2010 - 2014	10,901,210		10,901,210	2,072,340	2,427,181	4,499,521
2015 - 2019	7,213,568		7,213,568	1,079,847	1,280,452	2,360,299
2020 - 2024	8,019,068		8,019,068	903,925		903,925
2025 - 2029				966,990		966,990
2030 - 2034				397,156		397,156
Total Payments	**$92,495,084**	**$178,189**	**$92,673,273**	8,509,640	8,082,538	16,592,178
Less Imputed Interest				4,943,259	2,154,560	7,097,819
Total Present Value of Minimum Lease Payments				**$3,566,381**	**$5,927,978**	**$9,494,359**

Assets under capital leases as of June 30, 2004, are as follows:

	Governmental Activities	Business-Type Activities	Capital Assets Under Capital Leases
Buildings and Improvements	$3,321,596	$4,222,243	$7,543,839
Improvements Other Than Buildings	608,911		608,911
Machinery, Equipment, and Other	1,552,396	2,751,010	4,303,406
Total Capital Leases	**$5,482,903**	**$6,973,253**	**$12,456,156**

B. State as Lessor

Non-state parties rent land and buildings under operating leases from the Idaho Historical Society, the Lava Hot Springs Foundation, and the Departments of Health and Welfare, Juvenile Corrections, Lands, and Parks and Recreation. At June 30, 2004, the State leased the following:

Asset Class	Fair Market Value at Date of Acquisition	Accumulated Depreciation	Current Book Value
Land	$2,054,577		$2,054,577
Buildings and Improvements	1,213,961	($546,863)	667,098
Improvements Other Than Buildings	7,003	(7,003)	
Total	**$3,275,541**	**($553,866)**	**$2,721,675**

The Lava Hot Springs Foundation and Department of Lands participate in zero service leases. A zero service lease is an operating lease in which the lessee pays the State a market rent for use of the real property with no other services provided by the State. The lessee bears the responsibility for actual operating costs associated with the services necessary to operate the property, with the exception of property damage and casualty insurance which the State maintains as part of the State's risk management program. The actual cost of operating the property does not affect the market rent under the lease. The market rent paid by the lessee is established by an independent appraisal.

The following is a schedule of minimum future rentals for operating leases as of June 30, 2004:

Fiscal Year Ending June 30	Total
2005	$6,882,517
2006	6,317,795
2007	6,074,714
2008	5,694,181
2009	5,169,926
2010 - 2014	10,747,858
2015 - 2019	1,710,742
2020 - 2024	1,689,199
Total Minimum Future Rentals	**$44,286,932**

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. Contingent rentals amounted to $12,632 in fiscal year 2004.

NOTE 10 SHORT-TERM DEBT

Idaho Code, Section 63-3201, authorizes the State Treasurer, on approval of the State Board of Examiners, to borrow money in anticipation of income or revenue from taxes. The State uses external tax anticipation notes (TAN) to cover the shortfall between General Fund revenues and disbursements during the year. General Fund revenues are received in relatively uneven amounts throughout the fiscal year due to various factors regarding the timing of receipts, such as the collection of individual income taxes in April, large sales tax receipts in January as a result of holiday shopping, and quarterly collections of corporate income tax. During fiscal year 2004, the State anticipated that it would receive 47.6 percent of General Fund revenues in the first six months; however, disbursements during the same period were expected to account for 57.8 percent of total expenditures. These disbursements were made up primarily of public school aid and Health and Welfare expenditures. External TAN sold on the open market were issued on July 1, 2003, and redeemed on June 30, 2004.

TAN activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
External Tax Anticipation Notes	$0	$375,000,000	$375,000,000	$0

NOTE 11. BONDS/NOTES/OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Idaho's compensated absences policy permits employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Employees earn vacation based on hours worked and compensatory time based on hours worked in excess of forty hours per week. Upon termination of employment, an employee is paid for unused vacation time and administrative leave. All employees covered by the Fair Labor Standards Act are paid compensatory balances at termination.

A liability is accrued for all vacation pay and compensatory time when incurred in the government-wide, proprietary, and fiduciary fund financial statements. The liability is based on the pay rate in effect at the balance sheet date. Idaho does not accumulate a liability for sick leave since the government has a policy to not pay any amounts when employees separate from service. Upon retirement, 50 percent of an employee's unused sick leave value (not to exceed 600 hours) is transferred to the Public Employee Retirement System of Idaho to purchase health insurance for the retiree. Also included in compensated absences is a $2,802,758 liability for one-time special termination benefits associated with the University of Idaho's Voluntary Separation and Retirement Opportunities Program. The value of sick leave balances accumulated to pay retiree health insurance benefits are reported in a trust fund and are not included as part of the compensated absences liability. The State assumes a first-in, first-out flow for compensated absences balances. Presentation of compensated absences requires the use of certain estimates and calculations based on current year activity and historical data.

B. Revenue Bonds

Revenue bonds have been issued for both governmental and business-type activities.

The Idaho State Building Authority (nonmajor special revenue fund), issues notes and bonds to finance construction or acquisitions of facilities for lease to the State subject to prior legislative approval. Idaho State Building Authority bonds are direct obligations of the Authority, payable from and secured by a pledge of lease revenues and other funds and reserves held under bond resolutions. The Authority has surety bonds in amounts up to the reserve requirements for all outstanding bonds. No amounts were outstanding at June 30, 2004, under these surety bonds.

The State's *colleges and universities* (major enterprise fund) issued a number of bonds for the purpose of funding various projects. University bonds are secured by various revenue sources, including student fees.

The *Idaho Water Resource Board* (Loan major enterprise fund) is authorized to issue and sell revenue bonds under provisions in *Idaho Code,* Sections 42-1739 through 42-1749. Bonds issued in 1999 for the Dworshak Hydroelectric project and the revenues derived from this project are pledged in order to pay its costs of planning, financing, acquiring, constructing, operating, and maintaining the water project. These bonds are not considered general obligations of the State. The bonds are secured by an irrevocable direct pay letter of credit with the trustee bank. The letter of credit permits the trustee to draw an amount sufficient to pay the principal payment plus 210 days of interest. The letter of credit that will expire on May 1, 2006, may be removed under certain conditions described in the bond indenture and may be renewed when it expires. The amount available is dependent upon the principal and ranges between $49,935 in 2005 to $48,897 in 2006. The letter of credit has never been used. An amount equal to the current year's debt service payment is accumulating in the Loan fund for debt service payment in the event the pipeline to the generation plant is out of service and no power can be generated.

The State's *College and University Foundation Fund* (discretely presented component unit) issued a number of bonds and notes for the purpose of funding various construction projects. Foundation bonds and notes are secured by various revenue sources, including donations, pledges, and other funds.

Revenue bonds outstanding at June 30, 2004, are as follows (*in thousands)*:

Bond Description	Interest Rate	Amount
Building Authority	0.00% to 5.98%	$214,010
College and University	2.00% to 6.50%	308,165
Loan	6.50% to 7.75%	4,865
Foundations	1.00% to 5.35%	28,165
Total Revenue Bonds Payable		**$555,205**

Revenue bond debt service requirements to maturity are as follows (*in thousands*):

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities				Discretely Presented Component Units		Total	
	Building Authority		College and University		Loan Fund		Foundations			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	$8,500	$9,328	$8,925	$15,620	$80	$363	$1,520	$448	$19,025	$25,759
2006	8,755	9,067	10,270	15,057	100	357	1,540	426	20,665	24,907
2007	9,015	8,795	11,070	14,601	125	351	1,555	404	21,765	24,151
2008	8,655	8,520	11,425	14,094	150	342	1,560	379	21,790	23,335
2009	8,215	8,237	12,000	13,553	1,250	332	3,235	332	24,700	22,454
2010-2014	32,820	37,150	62,525	58,822	2,460	1,421	8,065	698	105,870	98,091
2015-2019	36,315	29,770	70,435	41,799	700	698	8,080	197	115,530	72,464
2020-2024	46,835	19,670	63,475	23,966			2,610		112,920	43,636
2025-2029	17,215	11,077	29,930	11,511					47,145	22,588
2030-2034	10,300	8,185	15,330	5,296					25,630	13,481
2035-2039	13,230	5,258	8,640	2,567					21,870	7,825
2040-2044	14,155	1,571	4,140	338					18,295	1,909
Total	**$214,010**	**$156,628**	**$308,165**	**$217,224**	**$4,865**	**$3,864**	**$28,165**	**$2,884**	**$555,205**	**$380,600**

C. Advance Refundings

In prior years, the Idaho State Building Authority has defeased several bonds by placing governmental securities into irrevocable trusts that are sufficient to provide for all future debt service payments on those bonds. Consequently, the related liability was appropriately removed from the financial statements in the year of defeasance. The remaining outstanding debt payable by the trust as of June 30, 2004, for each defeased bond issue follows:

Bond Issue	Amount Defeased	Remaining Liability
1978 Series A	$15,284,300	$4,075,000
1992 Series C	9,225,000	8,170,000

D. Notes Payable

Notes outstanding at year-end are as follows (*in thousands*):

Note Description	Interest Rates	Balance at June 30, 2004
College and University	1.98% to 8.00%	$11,841
Foundations	1.00% to 3.85%	$16,972

Note debt service requirements to maturity are as follows (*in thousands*):

Fiscal Year Ending June 30	Business-Type Activities		Discretely Presented Component Units	
	College and University		Foundations	
	Principal	Interest	Principal	Interest
2005	$1,469	$379	$5,042	$327
2006	1,333	332	8,030	190
2007	1,244	291	3,900	22
2008	1,284	251		
2009	1,142	218		
2010 - 2014	4,306	598		
2015 - 2019	1,063	58		
Total	**$11,841**	**$2,127**	**$16,972**	**$539**

E. Claims and Judgments

Claims and judgments are payable on behalf of the State and its agencies for various legal proceedings and claims. In general, the State records liabilities for material claims and judgments when they are considered probable and estimable. The State has recorded the following claims and judgments:

The *Idaho Transportation Department State Highway Fund* (Transportation major special revenue fund) experiences contractor claims for reimbursement of additional/extraordinary expenses incurred for the performance of construction contract requirements. The State has recorded a liability of $8,990,020 for contractor claims.

The *Department of Environmental Quality* (Agriculture and Natural Resources nonmajor special revenue fund) entered into a contract with the Environmental Protection Agency (EPA) in April 1995 for the purpose of environmental remediation within the Bunker Hill Superfund Site. Federal Superfund law requires the State match 10 percent of federal funds spent on actual remediation work and the State meet all costs of future site operational and maintenance costs. The April 2004 amended remediation cost estimate is $142,774,000. The State's share is $14,277,400. The State has already matched $9,840,157, leaving a liability of $4,437,243. The work is estimated to be completed in calendar year 2005. The State anticipates 600 acres of unremediated land will be transferred to the State. The land's value has not been established but is estimated to be insignificant due to the poor access, topography, and unremediated condition of the land.

In August 2002, the federal government, Idaho, Washington, and tribal officials signed a memorandum of agreement to create the Coeur d'Alene Basin Commission that will direct clean up of the Coeur d'Alene Basin in Idaho. The EPA issued a record of decision in September 2002. The State and federal government signed the State Superfund contract on October 2, 2003. The current estimate of the liability is $360 million. Idaho's estimated liability is $30.7 million for remediation costs. Washington State will match the remainder of the liability. The present value of operational and maintenance cost is currently estimated at $42 million. Work began in 2003 and will take 30 years to complete. Environmental liability estimates are subject to amendment. The State does not anticipate any recovery from other parties for the Coeur d'Alene Basin project.

The Petroleum Clean Water Trust Fund and the Life and Health Insurance Guaranty Association (discretely presented component units) have policy claim liabilities totaling $7,681,069.

F. Changes in Long-Term Liabilities

The changes in long-term liabilities for the fiscal year ended June 30, 2004, are summarized as follows:

Long-Term Liabilities	Balances at July 1, 2003 As Adjusted	Increases	Reductions	Balances at June 30, 2004	Amounts Due Within One Year
Governmental Activities:					
Revenue Bonds	$155,010,000	$64,795,000	($5,795,000)	$214,010,000	$8,500,000
Premiums/Discounts/Rebates	(2,422,231)	310,693	(867,232)	(2,978,770)	
Total Bonds Payable	152,587,769	65,105,693	(6,662,232)	211,031,230	8,500,000
Capital Leases	3,976,396	252,121	(662,136)	3,566,381	558,620
Compensated Absences	40,113,089	45,172,217	(44,079,241)	41,206,065	41,206,065
Policy Claim Liabilities	39,429,239	630,000	(4,884,693)	35,174,546	6,345,253
Claims and Judgments	43,467,957	10,556,494	(9,895,491)	44,128,960	5,098,545
Net Pension Obligation	124,280	250,485		374,765	
Total Governmental Activity	**$279,698,730**	**$121,967,010**	**($66,183,793)**	**$335,481,947**	**$61,708,483**
Business-Type Activities:					
Revenue Bonds	$260,565,000	$67,416,916	($14,951,789)	$313,030,127	$9,004,001
Premiums/Discounts/Rebates	1,951,938	3,221,562	(66,007)	5,107,493	
Total Bonds Payable	262,516,938	70,638,478	(15,017,796)	318,137,620	9,004,001
Capital Leases	6,464,696	301,784	(838,502)	5,927,978	854,413
Compensated Absences	20,209,636	19,417,002	(20,120,120)	19,506,518	19,506,518
Notes Payable	12,392,002	1,923,711	(2,474,790)	11,840,923	1,632,988
Total Business-Type Activity	**$301,583,272**	**$92,280,975**	**($38,451,208)**	**$355,413,039**	**$30,997,920**

Long-Term Liabilities	July 1, 2003 As Adjusted	Increases	Reductions	Balances at June 30, 2004	Due Within One Year
Discretely Presented Component Units:					
Revenue Bonds	$28,385,000		($220,000)	$28,165,000	$230,000
Premiums/Discounts/Rebates	(8,100)			(8,100)	
Total Bonds Payable	28,376,900	0	(220,000)	28,156,900	230,000
Claims and Judgments	7,783,469	1,114,746	(1,217,146)	7,681,069	1,606,003
Notes Payable	18,962,823		(1,990,866)	16,971,957	5,041,759
Total Component Unit Activity	**$55,123,192**	**$1,114,746**	**($3,428,012)**	**$52,809,926**	**$6,877,762**

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, $642,728 of compensated absences, $35,174,546 of policy claim liabilities, and $659,105 of capital leases are included in the above amounts for internal service fund liabilities.

The compensated absences liability attributable to governmental activities will be liquidated by the General Fund, special revenue, and internal service funds. In the past, approximately 38 percent has been paid by the General Fund, 61 percent by special revenue funds, and the remainder by internal service funds and various other governmental funds. Primarily, the same funds that have been used in prior years will be used to liquidate the following other governmental activity long-term liabilities: policy claim liabilities will be liquidated through the State's Group Insurance and Risk Management funds; claims and judgments will be liquidated by the special revenue funds indicated within this note.

G. Conduit Debt

The Idaho Water Resource Board (the Board), a separate entity established by *Idaho Code* within the Department of Water Resources (Loan major enterprise fund), has issued Water Resource Development Revenue Bonds for the promotion, construction, rehabilitation, and repair of water projects it deems to be in the public interest. The bonds are secured by the property financed and are payable solely from revenue of the projects. Upon payment of the bonds, ownership of the acquired facilities transfers to the entity served by the bond issuance. Such bonds do not constitute a debt or obligation of the State or any political subdivision, or agency thereof, nor of the Board except to the extent of the revenues pledged under the indenture. Accordingly, these bonds are not reported in the accompanying financial statements. Conduit debt obligations do not include the Board's bonds issued for the Dworshak Dam project that are disclosed elsewhere in this note and are reported in the financial statements. As of June 30, 2004, there were five series of Water Resource Bonds outstanding that qualified as conduit debt, with an aggregate principal amount payable of $72,288,000.

NOTE 12. FUND EQUITY

A. Restatement of Beginning Fund Balances and Net Assets

During the fiscal year, additional information became available that required the restatement of the beginning fund balances or net assets for the following funds:

The General Fund beginning fund balance was increased by $34,605,074 to correct the effects of overstated liabilities in prior periods.

The Public School Endowment and Pooled Endowments (permanent funds), increased their beginning fund balances by $915,713 and $429,815, respectively, due to an understatement of cash in prior periods.

The government-wide Statement of Activities includes the above restatements in the Governmental Activities column. In addition, beginning net assets in the Governmental Activities column increased by $11,886,207 due to the effects of recording the tobacco settlement receivable for the first year. Beginning net assets were increased by $31,075,578 as a result of capitalizing construction costs and capital assets acquired in prior periods.

B. Fund Deficit

At June 30, 2004, the Health and Welfare special revenue fund reported a deficit fund balance in the amount of $12,084,751. The fund accounts for revenues and expenditures associated with administering public assistance, medical care, foster care, child support enforcement, and other relief to eligible citizens of Idaho. The deficit is the result of recorded accrual expenditures over current grant revenue.

NOTE 13. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation and Contingencies

In *ISEEO, et al. v. Evans, et al.,* the plaintiffs allege that the current public school system does not provide a thorough education as required by the *Idaho Constitution*. Plaintiffs allege that approximately $700 million to $1 billion in construction expenditures will be needed to bring public schools up to standards. The case has been dismissed three times by the district court and appealed three times to the Idaho Supreme Court. The Supreme Court has remanded the case back to the district court, each time providing additional directions. Following the third remand, the district court determined that the funding system does not provide constitutionally adequate facilities in some circumstances and indicated the court would take some unspecified action if the next session of the Legislature does not address the court's concerns. Based upon remedial legislation passed in the 2000 session and after, the State asserts that the current system of financing public education provides the districts with resources to meet district court concerns, but some districts are not properly using those resources.

In 2003, the Legislature enacted House Bill (HB) 403, which suspended the suit and allowed the State to sue districts that had not been providing safe facilities. HB 403 also provided the funding mechanism to abate unsafe conditions. Seven districts were sued to abate unsafe conditions. Meanwhile, the district court ruled HB 403 unconstitutional, and that decision was upheld by the Idaho Supreme Court, which will now set the appeal on the underlying case for argument on the merits. If the plaintiffs were ultimately successful in obtaining a declaratory judgment that the remedial legislation has not facilitated a thorough education, and if that judgment was upheld on appeal, the Legislature would need to address the declaratory judgment by providing the districts the means to obtain additional revenues.

In November 1998, a Master Settlement Agreement was reached between the five largest tobacco manufacturers and 46 states. Under the terms of the Agreement, the State of Idaho will receive annual payments in perpetuity, subject to numerous adjustments. The State received cash payments of $22,848,142 during fiscal year 2004.

The State has a contingent liability for guarantee of qualified bond issuances. *Idaho Code*, Section 33-5303, requires the State to guarantee the bonds of any school district qualified by the State Treasurer. Sales tax is pledged to guarantee full and timely payment for any qualified, defaulted bonds. As of June 30, 2004, the principal amount of qualified bonds outstanding to school districts was $335,554,000 and the interest amount was $131,790,756.

The *Public School Permanent Endowment Fund* (major governmental fund) incurred losses in fiscal years 2001, 2002, and 2003. At June 30, 2004, cumulative losses were $53,774,136. *Idaho Code,* Section 57-724, requires these losses be made up from the earnings reserve funds or, if those funds are insufficient, through legislative appropriation. The losses must be made up within ten years and may be made up through market value increases. However, market value increases may be insufficient to recover all of the losses, in which case, the statute would require legislative appropriation to fund the remainder of the losses.

A case brought against the State by Indian tribes for reimbursement of past fuel taxes paid is under appeal to the Idaho Supreme Court. The liability to the State could range from $5,000,000 to $12,000,000. In a related case, the Idaho State Tax Commission is holding $1,434,789 in trust pending the outcome of a lawsuit with Bowen Oil. The decision in that case is currently stayed pending an anticipated State Petition for Writ of Certiorari to the U.S. Supreme Court.

The University of Idaho and the University of Idaho Foundation (UIF) (major enterprise fund and component unit) have filed separate claims with the Department of

Administration's Risk Management Services against the State's insurance coverage with a private insurance carrier for public employee dishonesty and faithful performance. This is a first-party insurance claim, since both the University of Idaho and the UIF are named insured under the policy. The policy limits are $10,000,000 for public employee dishonesty and a $5,000,000 sublimit for faithful performance. If an "occurrence" would fall within both coverage categories, the covered loss would be limited to $10,000,000 and not $15,000,000. "Occurrence" under the policy means all loss caused by or involving one or more employees, whether the loss results from a single act or series of acts. There is no pending litigation based on these claims.

In *United States of America v. Idaho Department of Transportation and Scarcella Brothers, Inc.*, the Environmental Protection Agency alleges a number of violations of environmental laws and seeks fines of approximately $2,800,000. The State and Scarcella Brothers, Inc., contest the claim and it is anticipated that the case will be resolved for substantially less than the claimed amount.

The Idaho State Tax Commission (General Fund) may be a party to litigation regarding a potential breach of contract brought by Manatron, Inc., for an alleged unauthorized disclosure of proprietary information. The amount of such damage, if any, is unknown.

The State is also a defendant in numerous legal proceedings pertaining to matters incidental to the performance of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of state and federal laws. It is not possible, at the present time, to estimate the ultimate outcome or liability of the State in respect to the various proceedings. However, it is believed that any ultimate liability resulting from these suits will not have a material effect on the financial condition of the State.

Revenue from federal grants includes amounts for the recovery of overhead and other costs. The State may be required to make refunds of federal reimbursements as a result of audits. The opinion of the State is that these refunds, if any, will not have a significant effect on the financial position of the State.

Primary Government

The *Idaho Transportation Department* (Transportation major special revenue fund) faces a potential liability of $25,685,770 for unpaid contractual claims. Historically, 35 percent of contractual claims are paid. A probable cost of $8,990,020 has been recognized as a liability with a remaining contingent liability of $16,695,750.

Component Unit

The *Idaho Life and Health Insurance Guaranty Association* has not assessed or accrued for all potential shortfalls for several insolvent insurers. The total liability relating to these insolvencies is not yet determined. However, management's best estimate of future unrecorded shortfalls at this time is $3,819,000 for Executive Life. Assessments for the shortfalls will be made in future periods as amounts become due, if necessary.

B. Commitments

Primary Government

The Idaho Transportation Department (Transportation major special revenue fund) has a total of $155,859,600 in outstanding commitments for infrastructure and $1,877,734 for other capital asset related construction projects underway at year-end.

The *Department of Administration* (General Fund) has a total of $100,675,563 in outstanding commitments for capital asset related construction projects underway at year-end.

The *colleges and universities* (major enterprise fund) estimate costs of $110,172,800 to complete a variety of capital asset related construction projects underway at year-end.

The *Department of Environmental Quality* (Loan major enterprise fund) administers two revolving loan funds. The funds provide a financing source for the construction of publicly owned wastewater and drinking water treatment facilities. As of June 30, 2004, the Clean Water Loan Fund had loan commitments of $70,314,064 that are funded with approximately 83 percent federal funds and 17 percent state matching dollars. The Drinking Water Loan Fund had $18,262,394 of loan commitments that are funded with approximately 80 percent federal funds and 20 percent state matching dollars. The Department of Environmental Quality (Agriculture and Natural Resources nonmajor special revenue fund) also has committed to various contracts addressing pollution remediation, best management

practice implementation, and other environmental projects totaling $6,356,468.

The *Department of Correction* (General Fund) has a contract with Corrections Corporation of America to operate a 1,250 plus bed prison. The contract expires June 30, 2005. The estimated cost for fiscal year 2005 is $18,387,000. The Department has a contract until September 30, 2005, with Prison Health Services, Inc., to provide medical services for inmates, for approximately $13,365,000.

The *Department of Juvenile Corrections* (Federal and Miscellaneous nonmajor special revenue funds and General Fund) contracts with various private juvenile placement providers for care and rehabilitation services. Contract daily rates range from $90 to $350 per day. The estimated cost for fiscal year 2004 is $12,286,400.

The *Dairy Products Commission* (Agriculture and Natural Resources nonmajor special revenue fund) annually commits to participate in a national advertising pool administered by Dairy Management, Inc. By contractual agreement, the Commission's 2004 advertising pool commitment will not exceed $4,200,000.

The *Idaho Department of Parks and Recreation* (Agriculture and Natural Resources nonmajor special revenue fund) is a party in a land sale contract with a promise to pay $3,600,000 to the Nature Conservancy. Currently, the Idaho Department of Parks and Recreation (IDPR) has approximately $1,300,000 in equity. In the event payment is not made, IDPR and the Nature Conservancy will hold undivided ownership interest in the real property. IDPR has a total of $5,599,221 in outstanding commitments for capital asset related construction projects underway at year-end.

The *Idaho State Building Authority* (nonmajor special revenue fund) has unexpended amounts under outstanding contracts for construction of the new Idaho Water Center in Boise totaling approximately $9,584,000. During the year ended June 30, 2003, the Authority entered into an agreement for financing and development of the Idaho Water Center with the Idaho Department of Water Resources, the Regents of the University of Idaho, and University of Idaho Foundation, Inc. (UIF). The reimbursement amount is limited to the amount of the actual project savings when compared to the project budgeted amount of approximately $48,000,000. The Authority has reimbursed UIF $4,500,000 to date pursuant to this agreement.

The *State Board of Education* (General Fund) has awarded a two-year contract for $5,000,000 to a computer-based learning company to provide individualized instruction to K-12 students.

The *State Lottery* (nonmajor enterprise fund) has contracted with GTECH, Inc., to pay 2.99 percent of gross, weekly on-line ticket sales plus $16,000 per week and $75 per instant ticket vending machine placed in service per month for ongoing facilities management services and $10,000 per week for license fees, $96 per wireless system per month plus a $250 installation fee per system. The State Lottery paid $3,679,440 to GTECH, Inc., for the fiscal year ended June 30, 2004.

NOTE 14. SUBSEQUENT EVENTS

Subsequent to June 30, 2004, the following events occurred:

Idaho State University issued General Refunding and Improvement Revenue Bonds, Series 2004A, in the amount of $4,980,000. The bonds were issued to provide funding for project costs for a housing, student services, and classroom facility. Additionally, the University issued General Revenue Bonds, Series 2004B and 2004C, in the amount of $5,610,000 to purchase 22 acres of land and certain improvements, from the University of Idaho Foundation.

Required Supplementary Information

Park N' Ski Site
Photo Courtesy of the Idaho Department of Parks and Recreation

IDAHO STATE PARKS AND RECREATION CROSS-COUNTRY SKIING

Idaho's Department of Parks and Recreation supports cross-country skiing at all state parks, eleven backcountry sites, and groomed trail sites at Harriman and Ponderosa State Parks. Various types of annual passes are available for $25, while an "All-Idaho VIP Pass" costs $49.

The State Parks Annual Passport ($25) is good for day use at all of Idaho's state parks. Cross-country skiing at Priest Lake, Round Lake, Farragut, and Winchester Lake State Parks are offered at no additional charge.

The Park N' Ski Pass ($25) allows you to park and ski at 11 backcountry sites across the State. Passes can be purchased at regional offices of the Idaho Department of Parks and Recreation, as well as most cross-country ski shops statewide.

The Premium Nordic Ski Grooming Pass ($25) allows you to ski the groomed trails at Harriman and Ponderosa State Parks.

The All-Idaho VIP Pass ($49) admits you to over 100 day-use sites statewide, year-round, including all state park cross-country ski areas and all Park N' Ski areas (skiing at Harriman or Ponderosa still requires the purchase of the Premium Nordic Ski Grooming Pass).

More information may be found on the Department of Parks and Recreation web site at: http://www.idahoparks.org/rec/ccskiing.html.

Map of Department of Parks and Recreation Cross-Country Ski Sites
Courtesy of the Idaho Department of Parks and Recreation

Required Supplementary Information
Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2004

	General			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	$1,028,210,830	$1,028,210,830	$1,028,210,830	-
Individual and Corporate Taxes	1,223,822,399	1,223,822,399	1,223,822,399	-
Other Taxes	61,728,063	61,728,063	61,728,063	-
Licenses, Permits, and Fees	15,361,269	15,361,269	15,361,269	-
Sale of Goods and Services	23,638,118	23,638,118	23,638,118	-
Grants and Contributions	58,204,069	58,204,069	58,204,069	-
Investment Income	13,857,086	13,857,086	13,857,086	-
Tobacco Settlement	22,848,142	22,848,142	22,848,142	-
Other Income	8,053,560	8,053,560	8,053,560	-
Total Revenues	2,455,723,536	2,455,723,536	2,455,723,536	
EXPENDITURES				
General Government	609,442,281	611,579,606	540,120,019	$71,459,587
Public Safety and Correction	187,028,698	186,134,958	181,983,123	4,151,835
Health and Human Services	18,669,024	18,669,024	18,446,356	222,668
Education	1,399,074,954	1,397,578,354	1,355,549,677	42,028,677
Economic Development	23,867,369	24,272,089	22,258,629	2,013,460
Natural Resources	23,810,670	35,443,779	33,750,874	1,692,905
Total Expenditures	$2,261,892,996	$2,273,677,810	2,152,108,678	$121,569,132
Revenues Over (Under) Expenditures			303,614,858	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets			151,723	
Transfers In			139,220,927	
Transfers Out			(634,782,656)	
Total Other Financing Sources (Uses)			(495,410,006)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(191,795,148)	
Reconciling Items				
Changes Affected by Accrued Revenues			(141,231,558)	
Changes Affected by Accrued Expenditures			481,820,649	
Fund Balances - Beginning of Year, As Restated			221,787,797	
Fund Balances - End of Year			$370,581,740	

The accompanying note is an integral part of this financial schedule.

Health and Welfare				Transportation			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$1,661,037	$1,661,037	$1,661,037	-	$210,235,914	$210,235,914	$210,235,914	-
4,320,072	4,320,072	4,320,072	-	102,558,863	102,558,863	102,558,863	-
69,649,577	69,649,577	69,649,577	-	3,824,949	3,824,949	3,824,949	-
948,886,170	948,886,170	948,886,170	-	229,370,935	229,370,935	229,370,935	-
228,561	228,561	228,561	-	3,940,065	3,940,065	3,940,065	-
15,031,820	15,031,820	15,031,820	-	545,221	545,221	545,221	-
1,039,777,237	1,039,777,237	1,039,777,237		550,475,947	550,475,947	550,475,947	
1,301,871,185	1,406,626,141	1,390,135,884	$16,490,257				
				703,516,106	707,196,290	534,047,834	$173,148,456
$1,301,871,185	$1,406,626,141	1,390,135,884	$16,490,257	$703,516,106	$707,196,290	534,047,834	$173,148,456
		(350,358,647)				16,428,113	
		17,226				5,791,338	
		364,927,452					
		(22,079)				(14,956,585)	
		364,922,599				(9,165,247)	
		14,563,952				7,262,866	
		75,012,223				(2,955,843)	
		(101,962,241)				7,906,951	
		301,315				112,543,706	
		($12,084,751)				$124,757,680	

The accompanying note is an integral part of this financial schedule.

Required Supplementary Information
Note to Required Supplementary Information - Budgetary Reporting
For the Fiscal Year Ended June 30, 2004

Budgetary Basis of Accounting

The State's legal budget is prepared using cash basis records. Encumbrances are allowed for budgetary control purposes. Revenues are generally recognized when cash is received. Expenditures are recorded when the related cash disbursement occurs. The Budgetary Comparison Schedule is prepared on the budgetary basis and includes this variation from GAAP. The reconciliation at the bottom of the budget and actual statement shows the difference between the budgetary basis and GAAP.

The State does not adopt a revenue budget. For financial reporting purposes, the budget and actual statement reflects budgeted revenues as being equal to actual revenues.

Required Supplementary Information
Infrastructure – Modified Approach Reporting
For the Fiscal Year Ended June 30, 2004

Under GASB Statement No. 34, governments are allowed an alternative to depreciation for their infrastructure assets, referred to as the modified approach. Using the modified approach, states report maintenance and preservation expenses and do not report depreciation expense on qualifying assets. In order to use the modified approach, the government must manage the infrastructure assets using an asset management system and maintain those assets at established condition levels. The asset management system must meet the following requirements:

- Maintain an up-to-date inventory of eligible infrastructure assets,
- Perform condition assessments of eligible assets and summarize the results using a measurement scale,
- Annually estimate the cost to maintain and preserve the assets at the condition level established, and
- Document the condition level at which the assets are being actually preserved and maintained.

The State of Idaho has chosen to use the modified approach in reporting the roadway network, which consists of approximately 11,819 lane miles.

Measurement Scale

The Idaho Transportation Department (ITD) determines the condition of the State's roadway surfaces by use of the Pavement Management System. The roadway surface condition is determined using two pavement-condition data elements, road roughness and pavement distress, collected as follows:

Road Roughness is a primary indicator of pavement serviceability or the ability of a pavement to meet the demands and expectations of motorists. In Idaho, the public's perception of the state highway system is very important. For that reason, a roughness index (RI) was adopted that correlates the longitudinal profile of the road surface to an index based upon the public's perception of road roughness. The RI ranges from 0.0 to 5.0 (0.0 being extremely rough and 5.0 being smooth).

A South Dakota-type profilometer is currently used by ITD to measure pavement roughness. This instrument uses laser sensors and personal computers and is mounted in a vehicle that travels at normal speeds and collects and stores road-profile information at one-foot intervals. Longitudinal profiles of all pavement management sections (PMS) statewide are obtained annually.

Pavement Distress (Cracking) is another important indicator of pavement condition. The video-inspection vehicle used to collect profile information also collects pavement video of the entire state highway system each year. The pavement management engineer then uses this video or actual field observations to determine the type, extent, and severity of cracking within each PMS. Based on this input, a cracking index (CI) is calculated for each section. The CI is a rating very similar to the RI with 5.0 corresponding to a section with little or no cracking and 0.0 representing a section with severe cracking.

Pavement surface condition assessment is dependent upon functional classification and is divided into two categories: interstates and arterials, and collectors. Pavement surface condition is determined by applying the lower of the cracking index or roughness index to the measurement ranges shown in the following table:

Pavement Condition	Interstates and Arterials	Collectors
	Lower Index of Cracking (CI) or Roughness (RI)	
Good	(CI or RI) > 3.0	(CI or RI) > 3.0
Fair	> 2.5 (CI or RI) < 3.0	> 2.0 (CI or RI) < 3.0
Poor	> 2.0 (CI or RI) < 2.5	> 1.5 (CI or RI) < 2.0
Very Poor	(CI or RI) < 2.0	(CI or RI) < 1.5

Established Condition Level

No more than 18% of the pavements shall be in poor or very poor condition.

Required Supplementary Information
Infrastructure – Modified Approach Reporting
For the Fiscal Year Ended June 30, 2004

Assessed Conditions

Most Recent Four Complete Condition Assessments
Percentage of Total Lane Miles per Pavement Condition

	2003		2002		2001		2000	
Good	7,196	61%	7,267	61%	7,094	60%	6,833	58%
Fair	2,691	23%	2,801	24%	2,610	22%	2,777	24%
Poor	1,435	12%	1,170	10%	1,255	11%	1,176	10%
Very Poor	497	4%	593	5%	820	7%	970	8%
Total Lane Miles	11,819		11,831		11,779		11,756	

Estimated and Actual Costs to Maintain

The information below reflects the State's estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level presented above, and the actual amount spent during the past five fiscal years:

	FY2005	FY2004	FY2003	FY2002	FY2001	FY2000
Estimated	$67,156,000	$65,200,000	$63,922,000	$62,000,000	$61,543,539	$60,312,668
Actual		81,058,329	78,133,000	57,259,654	68,277,884	69,267,561

Actual costs exceeded estimated costs by 24 percent. This variance was largely due to improvement in the process of assigning work-type codes to projects such as capital vs. maintenance.

Schedule of Funding Progress – Judges' Retirement Fund *(dollars in millions)*

Actuarial Valuation Date	(1) Actuarial Market Value of Assets	(2) Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
7/1/02	$46.9	$63.1	$16.2	74.3%	$4.6	352%
7/1/03	$46.8	$59.9	$13.1	78.1%	$4.6	284%
7/2/04	$51.0	$59.5	$8.5	85.7%	$4.8	176%

Retirement Actuarial Information

The required supplementary information presented in this report was determined as part of the actuarial valuations as of the dates indicated. The following tables present the notes to the required supplementary information, which contain additional information as of the latest actuarial valuations:

	PERSI Plan	**Judges' Retirement Fund**
Valuation date	July 1, 2004	July 1, 2004
Actuarial cost method	Entry Age Actuarial Cost	Entry Age Actuarial Cost
Amortization method	Level Percentage of Projected Payroll	Level Percentage of Projected Payroll
Remaining amortization period under the open approach	25 years - Open	25 years - Open
Asset valuation method	Market Value	Market Value
Actuarial assumptions:		
Investment rate of return	7.75%	7.50%
Projected salary increases	5.00% - 11.50%	3.00%
- Includes salary inflation	4.50%	
Postretirement benefit increase	1.00%	3.00%
Inflation rate	3.75%	N/A

Combining Financial Statements

WINTERTIME ACTIVITIES IN IDAHO

Idaho has many wintertime activities to offer in addition to traditional world class skiing. Many of these other activities are highlighted on the Idaho Department of Commerce's website http://www.idahowinter.org/activities. These activities include dog sledding, heli skiing, soaking in natural hot springs, ice fishing, ice skating, sleigh rides, snowcat skiing, showshoeing, and yurt camping. Another Commerce website (http://www.visitid.org/Database/cool_index_it.html) serves as a handy portal to make arrangements and reservations for all wintertime activities, in addition to golfing, mountain biking, hunting, Lewis and Clark trail activities, railway trips, and horseback riding…to name a few.

Group Ski Picture, Atlanta, Idaho (notice the ski poles, womens' attire, and the cool gators!)
Photo Courtesy of the Idaho State Historical Society

NONMAJOR SPECIAL REVENUE FUNDS account for specific revenues designated to finance specific functions of government. The following provides a brief description of the nonmajor special revenue funds.

The AGRICULTURE AND NATURAL RESOURCES FUND accounts for revenues and expenditures associated with the maintenance, preservation, and regulation of the State's parks, water, air, and agricultural resources. Funding is provided from dedicated user fees, sale of services or goods, federal grants, and various other sources.

The REGULATORY FUND accounts for revenues and expenditures associated with various professional licensing and monitoring functions. The major source of funding is license fees.

The FISH AND GAME FUND accounts for revenues and expenditures associated with enforcing and administering the fish and game laws in Idaho and to perpetuate and manage the State's wildlife resources. Funding is provided from dedicated user fees and federal grants.

The FEDERAL FUND accounts for a portion of the revenues and expenditures associated with federal grants received by the State. Federal grants are also included in other funds of the State.

The MISCELLANEOUS FUND accounts for revenues, expenditures, and other financial activities associated with general government services where the major source of funding is provided by fees, sale of services or goods, or other income restricted to expenditure for specific purposes.

The BUILDING AUTHORITY accounts for construction and financing of facilities, such as office buildings and parking garages to be used by the State. The Building Authority is a blended component unit.

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
ASSETS				
Cash Equity with Treasurer	$60,518,301	$43,743,474	$4,964,016	$23,008,023
Cash and Cash Equivalents	3,698,951	974,150	717,860	245,768
Investments	3,328,692	394,605	13,984,459	4,787,748
Accounts Receivable, Net	2,015,513	186,148	84,243	
Taxes Receivable, Net	1,633,104			
Interfund Receivables	1,149,999	12,132	8,217	613,587
Due from Other Entities	2,705,878		6,676,692	10,962,405
Inventories and Prepaid Items	1,714,327	150,162	7,631,384	483,622
Loans and Notes Receivable, Net	6,274,307	78,374	413,100	
Other Assets	197,646	4,701	138,422	39,708
Restricted Assets:				
Cash and Cash Equivalents	3,099,299	234,648	3,695,688	200,158
Investments	575,466	1,923		
Total Assets	$86,911,483	$45,780,317	$38,314,081	$40,341,019
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$3,033,980	$93,105	$2,076,019	$6,974,556
Interfund Payables	620,986	23,743	8,761	1,820,479
Due to Other Entities	10,875			
Deferred Revenue	8,738,946	935,742	108,210	1,873,318
Deposits	2,361,885	224,165	5,000	
Other Accrued Liabilities	3,137,684	1,779,592	3,680,166	4,241,353
Total Liabilities	17,904,356	3,056,347	5,878,156	14,909,706
Fund Balances				
Reserved for:				
Bond Retirement				
Encumbrances	5,675,234	75,774	2,886,143	7,482,397
Inventories and Prepaid Items	1,714,327	150,162	7,631,384	483,622
Noncurrent Receivables	7,424,308	78,374	413,100	
Other Purposes	3,674,765	236,571	3,695,688	200,158
Unreserved, Reported in:				
Special Revenue Funds	50,518,493	42,183,089	17,809,610	17,265,136
Total Fund Balances	69,007,127	42,723,970	32,435,925	25,431,313
Total Liabilities and Fund Balances	$86,911,483	$45,780,317	$38,314,081	$40,341,019

Miscellaneous	Building Authority	Total
$61,750,501		$193,984,315
2,097,605	$2,101,551	9,835,885
17,237,527		39,733,031
4,425,838		6,711,742
1,142,582		2,775,686
1,070,318		2,854,253
		20,344,975
456,750	42,550	10,478,795
		6,765,781
64,883	293,782	739,142
9,111,078	10,902,507	27,243,378
2,536,079	53,865,493	56,978,961
$99,893,161	$67,205,883	$378,445,944
$2,342,431	$1,947,416	$16,467,507
46,740		2,520,709
		10,875
3,602,505	938,595	16,197,316
25,850		2,616,900
2,906,536	636,000	16,381,331
8,924,062	3,522,011	54,194,638
	63,641,322	63,641,322
1,326,026		17,445,574
456,750	42,550	10,478,795
28,612		7,944,394
11,647,157		19,454,339
77,510,554		205,286,882
90,969,099	63,683,872	324,251,306
$99,893,161	$67,205,883	$378,445,944

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004

	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
REVENUES				
Sales Tax	$4,800,000			
Other Taxes	25,099,665	$76,364,500		
Licenses, Permits, and Fees	24,236,106	38,306,384	$29,558,114	$18,884
Sale of Goods and Services	5,809,160	779,815	36,727	209,490
Grants and Contributions	22,351,180	10,008	29,652,525	332,087,049
Investment Income	1,030,825	117,288	265,608	118,716
Other Income	2,636,185	753,704	3,715,199	369,421
Total Revenues	85,963,121	116,331,699	63,228,173	332,803,560
EXPENDITURES				
Current:				
General Government		1,809,099		21,057,225
Public Safety and Correction	143,171	2,689,060		8,677,940
Education	6,272		113	170,676,910
Economic Development	32,251,992	37,374,993	100,000	69,030,356
Natural Resources	51,160,042	695,777	55,920,963	7,110,087
Capital Outlay	5,733,999	824,370	8,142,627	4,852,171
Debt Service	21,454		23,387	13
Intergovernmental Revenue Sharing	9,166,952			38,754,039
Total Expenditures	98,483,882	43,393,299	64,187,090	320,158,741
Revenues Over (Under) Expenditures	(12,520,761)	72,938,400	(958,917)	12,644,819
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Discount on Bonds Issued				
Sale of Capital Assets	34,401	37,414	722,710	79,532
Transfers In	15,232,722		1,902	2,468,291
Transfers Out	(3,916,914)	(69,952,011)	(14,678)	(480,623)
Total Other Financing Sources (Uses)	11,350,209	(69,914,597)	709,934	2,067,200
Net Change in Fund Balances	(1,170,552)	3,023,803	(248,983)	14,712,019
Fund Balances - Beginning of Year, as Restated	70,177,679	39,700,167	32,684,908	10,719,294
Fund Balances - End of Year	$69,007,127	$42,723,970	$32,435,925	$25,431,313

Miscellaneous	Building Authority	Total
		$4,800,000
$22,997,295		124,461,460
11,192,049		103,311,537
29,163,885	$10,438,911	46,437,988
7,120,567	2,750,808	393,972,137
5,261,574	329,848	7,123,859
9,069,827		16,544,336
84,805,197	13,519,567	696,651,317
6,373,122	6,383,259	35,622,705
32,012,523		43,522,694
14,344,818		185,028,113
30,249,411		169,006,752
1,486,007		116,372,876
3,643,415	57,292,046	80,488,628
146,953	8,060,809	8,252,616
8,879,629		56,800,620
97,135,878	71,736,114	695,095,004
(12,330,681)	(58,216,547)	1,556,313
	64,795,000	64,795,000
	(863,315)	(863,315)
57,554		931,611
22,494,831	8,834,802	49,032,548
(52,735)		(74,416,961)
22,499,650	72,766,487	39,478,883
10,168,969	14,549,940	41,035,196
80,800,130	49,133,932	283,216,110
$90,969,099	$63,683,872	$324,251,306

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004

	Agriculture and Natural Resources			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	$4,800,000	$4,800,000	$4,800,000	-
Other Taxes	25,273,510	25,273,510	25,273,510	-
Licenses, Permits, and Fees	28,117,812	28,117,812	28,117,812	-
Sale of Goods and Services	5,445,713	5,445,713	5,445,713	-
Grants and Contributions	22,385,345	22,385,345	22,385,345	-
Investment Income	1,139,326	1,139,326	1,139,326	-
Other Income	2,832,857	2,832,857	2,832,857	-
Total Revenues	89,994,563	89,994,563	89,994,563	
EXPENDITURES				
General Government				
Public Safety and Correction	159,847	159,847	143,190	$16,657
Education	392,185	392,185	84,565	307,620
Economic Development	38,362,416	38,380,184	33,644,289	4,735,895
Natural Resources	86,441,346	95,364,988	64,158,692	31,206,296
Total Expenditures	$125,355,794	$134,297,204	98,030,736	$36,266,468
Revenues Over (Under) Expenditures			(8,036,173)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Discount on Bonds Issued				
Sale of Capital Assets			34,401	
Transfers In			15,232,722	
Transfers Out			(3,916,914)	
Total Other Financing Sources (Uses)			11,350,209	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			3,314,036	
Reconciling Items				
Changes Affected by Accrued Revenues			(4,031,442)	
Changes Affected by Accrued Expenditures			(453,146)	
Fund Balances - Beginning of Year			70,177,679	
Fund Balances - End of Year			$69,007,127	

continued

Regulatory				Fish and Game			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$80,307,031	$80,307,031	$80,307,031	-				
38,297,272	38,297,272	38,297,272	-	$29,558,114	$29,558,114	$29,558,114	-
630,676	630,676	630,676	-	36,727	36,727	36,727	-
10,008	10,008	10,008	-	29,266,409	29,266,409	29,266,409	-
117,288	117,288	117,288	-	1,002,010	1,002,010	1,002,010	-
753,704	753,704	753,704	-	3,294,091	3,294,091	3,294,091	-
120,115,979	120,115,979	120,115,979		63,157,351	63,157,351	63,157,351	
1,819,233	1,819,233	1,819,233	-				
3,060,100	3,066,755	2,695,664	$371,091				
				390,125	390,125	232,065	$158,060
40,036,214	40,133,648	37,922,660	2,210,988	100,000	100,000	100,000	-
857,371	857,371	690,320	167,051	76,159,672	80,714,003	64,037,075	16,676,928
$45,772,918	$45,877,007	43,127,877	$2,749,130	$76,649,797	$81,204,128	64,369,140	$16,834,988
		76,988,102				(1,211,789)	
		37,414				722,710	
						1,902	
		(69,952,011)				(14,678)	
		(69,914,597)				709,934	
		7,073,505				(501,855)	
		(3,784,280)				70,822	
		(265,422)				182,050	
		39,700,167				32,684,908	
		$42,723,970				$32,435,925	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004

	Federal			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees	$41,792	$41,792	$41,792	-
Sale of Goods and Services	84,276	84,276	84,276	-
Grants and Contributions	342,016,150	342,016,150	342,016,150	-
Investment Income	368,965	368,965	368,965	-
Other Income	359,421	359,421	359,421	-
Total Revenues	342,870,604	342,870,604	342,870,604	
EXPENDITURES				
General Government	31,974,511	52,105,486	34,150,428	$17,955,058
Public Safety and Correction	18,626,488	20,074,192	16,289,327	3,784,865
Education	189,886,947	198,113,332	186,203,911	11,909,421
Economic Development	85,845,899	98,406,564	86,853,274	11,553,290
Natural Resources	14,447,742	17,064,952	11,561,923	5,503,029
Total Expenditures	$340,781,587	$385,764,526	335,058,863	$50,705,663
Revenues Over (Under) Expenditures			7,811,741	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Discount on Bonds Issued				
Sale of Capital Assets			79,532	
Transfers In			2,468,291	
Transfers Out			(480,623)	
Total Other Financing Sources (Uses)			2,067,200	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			9,878,941	
Reconciling Items				
Changes Affected by Accrued Revenues			(10,067,044)	
Changes Affected by Accrued Expenditures			14,900,122	
Fund Balances - Beginning of Year			10,719,294	
Fund Balances - End of Year			$25,431,313	

Miscellaneous				Building Authority			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$19,213,171	$19,213,171	$19,213,171	-				
11,051,530	11,051,530	11,051,530	-				
21,891,466	21,891,466	21,891,466	-	$10,438,911	$10,438,911	$10,438,911	-
7,269,974	7,269,974	7,269,974	-	2,750,808	2,750,808	2,750,808	
5,617,972	5,617,972	5,617,972	-	329,848	329,848	329,848	-
8,093,834	8,093,834	8,093,834	-				
73,137,947	73,137,947	73,137,947		13,519,567	13,519,567	13,519,567	
8,012,457	8,016,457	7,293,344	$723,113	71,736,114	71,736,114	71,736,114	-
43,319,832	43,468,164	38,146,959	5,321,205				
8,324,762	22,643,932	15,231,225	7,412,707				
44,268,835	44,287,350	33,245,994	11,041,356				
2,584,738	2,642,751	1,498,635	1,144,116				
$106,510,624	$121,058,654	95,416,157	$25,642,497	$71,736,114	$71,736,114	71,736,114	
		(22,278,210)				(58,216,547)	
						64,795,000	
						(863,315)	
		57,554					
		22,494,831				8,834,802	
		(52,735)					
		22,499,650				72,766,487	
		221,440				14,549,940	
		11,667,250					
		(1,719,721)					
		80,800,130				49,133,932	
		$90,969,099				$63,683,872	

Total			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$4,800,000	$4,800,000	$4,800,000	-
124,793,712	124,793,712	124,793,712	-
107,066,520	107,066,520	107,066,520	-
38,527,769	38,527,769	38,527,769	-
403,698,694	403,698,694	403,698,694	-
8,575,409	8,575,409	8,575,409	-
15,333,907	15,333,907	15,333,907	-
702,796,011	702,796,011	702,796,011	
113,542,315	133,677,290	114,999,119	$18,678,171
65,166,267	66,768,958	57,275,140	9,493,818
198,994,019	221,539,574	201,751,766	19,787,808
208,613,364	221,307,746	191,766,217	29,541,529
180,490,869	196,644,065	141,946,645	54,697,420
$766,806,834	$839,937,633	707,738,887	$132,198,746
		(4,942,876)	
		64,795,000	
		(863,315)	
		931,611	
		49,032,548	
		(74,416,961)	
		39,478,883	
		34,536,007	
		(6,144,694)	
		12,643,883	
		283,216,110	
		$324,251,306	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Permanent Funds
For the Fiscal Year Ended June 30, 2004

continued

	Public School Endowment			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sale of Goods and Services	$46,848,006	$46,848,006	$46,848,006	-
Investment Income	77,157,301	77,157,301	77,157,301	-
Total Revenues	124,005,307	124,005,307	124,005,307	
EXPENDITURES				
Natural Resources	11,873,225	11,876,655	10,588,593	$1,288,062
Total Expenditures	$11,873,225	$11,876,655	10,588,593	$1,288,062
Revenues Over (Under) Expenditures			113,416,714	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets			17,315	
Transfers Out			(37,750,000)	
Total Other Financing Sources (Uses)			(37,732,685)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			75,684,029	
Reconciling Items				
Changes Affected by Accrued Expenditures			(261,251)	
Fund Balances - Beginning of Year, As Restated			440,752,664	
Fund Balances - End of Year			$516,175,442	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Permanent Funds
For the Fiscal Year Ended June 30, 2004

	Pooled Endowment			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sale of Goods and Services	$17,044,637	$17,044,637	$17,044,637	-
Investment Income	36,609,418	36,609,418	36,609,418	-
Total Revenues	53,654,055	53,654,055	53,654,055	
EXPENDITURES				
Natural Resources	5,587,400	5,589,014	4,982,868	$606,146
Total Expenditures	$5,587,400	$5,589,014	4,982,868	$606,146
Revenues Over (Under) Expenditures			48,671,187	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets				
Transfers Out			(17,355,000)	
Total Other Financing Sources (Uses)			(17,355,000)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			31,316,187	
Reconciling Items				
Changes Affected by Accrued Expenditures			(101,791)	
Fund Balances - Beginning of Year, As Restated			214,149,725	
Fund Balances - End of Year			$245,364,121	

Total			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$63,892,643	$63,892,643	$63,892,643	-
113,766,719	113,766,719	113,766,719	-
177,659,362	177,659,362	177,659,362	
17,460,625	17,465,669	15,571,461	$1,894,208
$17,460,625	$17,465,669	15,571,461	$1,894,208
		162,087,901	
		17,315	
		(55,105,000)	
		(55,087,685)	
		107,000,216	
		(363,042)	
		654,902,389	
		$761,539,563	

NONMAJOR ENTERPRISE FUNDS account for the operation of state agencies that provide goods or services to the general public and finance their operations through user charges. The following provides a brief description of the nonmajor enterprise funds.

The STATE LOTTERY was established by the Legislature in 1988. The State Lottery's purpose is to adopt rules and regulations governing the establishment and operation of lottery games and to maximize the net income of the lottery for the benefit of the State. Annually the State Lottery's surplus net income is distributed evenly between state buildings and public schools.

The LIQUOR DISPENSARY'S purpose is to conduct, license, and regulate the sale of alcoholic beverages. Funding is provided through the sale of products. A portion of the surplus from the Fund is transferred to the State's General Fund and other funds as dictated by *Idaho Code*. The balance, after the above authorized transfers, is then distributed 40 percent to counties and 60 percent to cities.

The CORRECTIONAL INDUSTRIES provides employment for inmates of the Department of Correction. Correctional Industries manufactures and sells a variety of items including license plates, furniture, highway signs, printing services, and other miscellaneous products and services.

Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2004

	State Lottery	Liquor Dispensary	Correctional Industries	Total
ASSETS				
Current Assets				
Cash Equity with Treasurer	$25,584,230	$5,028,313	$1,836,852	$32,449,395
Cash and Cash Equivalents	231,347	200		231,547
Accounts Receivable, Net	1,480,464	71,379	350,585	1,902,428
Interfund Receivables			292,982	292,982
Inventories and Prepaid Items	262,466	8,390,768	870,467	9,523,701
Other Current Assets	510,757			510,757
Total Current Assets	28,069,264	13,490,660	3,350,886	44,910,810
Noncurrent Assets				
Investments	2,272,864			2,272,864
Capital Assets, Net	1,068,655	3,373,816	923,905	5,366,376
Total Noncurrent Assets	3,341,519	3,373,816	923,905	7,639,240
Total Assets	$31,410,783	$16,864,476	$4,274,791	$52,550,050
LIABILITIES				
Current Liabilities				
Accounts Payable	$882,440	$4,490,915	$131,425	$5,504,780
Interfund Payables		31,022		31,022
Deferred Revenue			21,566	21,566
Other Accrued Liabilities	2,003,437	412,234	312,889	2,728,560
Capital Leases Payable	53,400			53,400
Compensated Absences Payable	191,293	505,213	83,838	780,344
Total Current Liabilities	3,130,570	5,439,384	549,718	9,119,672
Noncurrent Liabilities				
Capital Leases Payable	47,679			47,679
Total Noncurrent Liabilities	47,679			47,679
Total Liabilities	3,178,249	5,439,384	549,718	9,167,351
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	967,576	3,373,816	923,905	5,265,297
Restricted for:				
Other Purposes	25,000,000			25,000,000
Unrestricted	2,264,958	8,051,276	2,801,168	13,117,402
Total Net Assets	28,232,534	11,425,092	3,725,073	43,382,699
Total Liabilities and Net Assets	$31,410,783	$16,864,476	$4,274,791	$52,550,050

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2004

	State Lottery	Liquor Dispensary	Correctional Industries	Total
OPERATING REVENUES				
Licenses, Permits, and Fees		$2,200		$2,200
Sale of Goods and Services	$109,319,613	84,618,518	$5,429,806	199,367,937
Other Income	45,206	67,556	35,502	148,264
Total Operating Revenues	109,364,819	84,688,274	5,465,308	199,518,401
OPERATING EXPENSES				
Personnel Costs	2,314,977	6,906,295	1,735,281	10,956,553
Services and Supplies	16,374,754	48,055,072	3,548,504	67,978,330
Benefits, Awards, and Premiums	64,733,231			64,733,231
Depreciation	1,077,764	130,653	188,552	1,396,969
Other Expenses	545,867	20,653,922	327,101	21,526,890
Total Operating Expenses	85,046,593	75,745,942	5,799,438	166,591,973
Operating Income (Loss)	24,318,226	8,942,332	(334,130)	32,926,428
NONOPERATING REVENUES (EXPENSES)				
Investment Income	52,287	186,980		239,267
Gain (Loss) on Sale of Capital Assets	25,965	(920)	34,893	59,938
Other Nonoperating Revenues		1,775		1,775
Total Nonoperating Revenues (Expenses)	78,252	187,835	34,893	300,980
Income (Loss) Before Transfers	24,396,478	9,130,167	(299,237)	33,227,408
Transfers Out	(20,500,000)	(8,295,000)		(28,795,000)
Change in Net Assets	3,896,478	835,167	(299,237)	4,432,408
Total Net Assets - Beginning of Year	24,336,056	10,589,925	4,024,310	38,950,291
Total Net Assets - End of Year	$28,232,534	$11,425,092	$3,725,073	$43,382,699

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2004

	State Lottery	Liquor Dispensary	Correctional Industries	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	$109,753,818	$84,745,000	$5,669,358	$200,168,176
Receipts for Interfund Services		9,150		9,150
Payments to Suppliers	(17,239,546)	(51,693,145)	(3,239,053)	(72,171,744)
Payments to Employees	(2,297,475)	(6,878,723)	(1,744,809)	(10,921,007)
Payments for Interfund Services		(186,214)		(186,214)
Payments for Benefits, Awards, and Claims	(64,807,759)			(64,807,759)
Other Receipts (Payments)		(19,588,000)	(151,613)	(19,739,613)
Net Cash Provided (Used) by Operating Activities	25,409,038	6,408,068	533,883	32,350,989
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers Out	(20,500,000)	(8,295,000)		(28,795,000)
Net Cash Provided (Used) by Noncapital Financing Activities	(20,500,000)	(8,295,000)		(28,795,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Lease Payments	(65,684)			(65,684)
Proceeds from Disposition of Capital Assets	25,965	1,775	70,253	97,993
Acquisition and Construction of Capital Assets	(43,251)	(87,195)	(129,685)	(260,131)
Net Cash Provided (Used) by Capital and Related Financing Activities	(82,970)	(85,420)	(59,432)	(227,822)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of Interest and Dividends	225,434	186,980		412,414
Net Cash Provided (Used) by Investing Activities	225,434	186,980		412,414
Net Increase (Decrease) in Cash and Cash Equivalents	5,051,502	(1,785,372)	474,451	3,740,581
Beginning Cash, Cash Equivalents, and Cash Equity with Treasurer	20,764,075	6,813,885	1,362,401	28,940,361
Ending Cash, Cash Equivalents, and Cash Equity with Treasurer	$25,815,577	$5,028,513	$1,836,852	$32,680,942
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	$24,318,226	$8,942,332	($334,130)	$32,926,428
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,077,764	130,653	188,552	1,396,969
Net Changes in Assets and Liabilities:				
Accounts Receivable/Interfund Receivables	388,999	65,534	217,986	672,519
Inventories and Prepaid Items	669,150	(655,666)	359,415	372,899
Other Current Assets	(279,478)	(5,272)		(284,750)
Accounts Payable/Interfund Payables	(463,182)	(2,097,085)	(49,964)	(2,610,231)
Deferred Revenue			21,566	21,566
Compensated Absences		39,095	(9,528)	29,567
Other Accrued Liabilities	(302,441)	(11,523)	139,986	(173,978)
Net Cash Provided (Used) by Operating Activities	$25,409,038	$6,408,068	$533,883	$32,350,989

Noncash Transactions: Lottery acquired capital assets by capital lease in the amount of $166,763. Correctional Industries disposed of capital assets at a loss of $35,360.

INTERNAL SERVICE FUNDS account for the operation of state agencies, which provide goods or services to other state agencies and other governmental units on a cost reimbursement basis. The following provides a brief description of operations included in the internal service funds.

The GROUP INSURANCE FUND, enabled through *Idaho Code*, Section 67-5760, is administered by the Department of Administration. It provides health insurance to all state employees and optional coverage for dependents and retirees. The Fund also provides life insurance and short and long-term disability coverage.

The RISK MANAGEMENT FUND accounts for insurance coverage and loss prevention to all state agencies. Coverage is provided using an optimal combination of self-insurance and private excess insurance.

The GENERAL SERVICES FUND accounts for statewide auditing, human resources, treasury services, surplus property redistribution and sale, copying services, purchasing, mail services for state agencies, and voice and data communication services.

The DATA PROCESSING SERVICES FUND accounts for data processing services provided by the Office of the State Controller to the various state agencies. In addition, the State Department of Education provides data processing services to local school districts and some state agencies.

Combining Statement of Net Assets
Internal Service Funds
June 30, 2004

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
ASSETS					
Current Assets					
Cash Equity with Treasurer	$42,157,005	$10,994,567	$3,998,821	$1,703,227	$58,853,620
Cash and Cash Equivalents	991,112	592,684			1,583,796
Investments	1,098,564	656,939			1,755,503
Accounts Receivable, Net			339,649		339,649
Interfund Receivables			157,160	541,386	698,546
Inventories and Prepaid Items			2,064,356	259,527	2,323,883
Other Current Assets	160,130	95,757			255,887
Total Current Assets	44,406,811	12,339,947	6,559,986	2,504,140	65,810,884
Noncurrent Assets					
Investments	18,209,022	10,888,969			29,097,991
Capital Assets, Net	3,792		2,828,512	502,163	3,334,467
Total Noncurrent Assets	18,212,814	10,888,969	2,828,512	502,163	32,432,458
Total Assets	$62,619,625	$23,228,916	$9,388,498	$3,006,303	$98,243,342
LIABILITIES					
Current Liabilities					
Accounts Payable			$66,780		$66,780
Interfund Payables			7,198		7,198
Deferred Revenue	$9,159,282		142,641	$677,552	9,979,475
Deposits			69,756		69,756
Other Accrued Liabilities	14,746	$22,980	446,855	210,216	694,797
Capital Leases Payable			123,650	243,365	367,015
Compensated Absences Payable	13,639	17,569	430,686	180,834	642,728
Policy Claim Liabilities	3,286,334	3,058,919			6,345,253
Total Current Liabilities	12,474,001	3,099,468	1,287,566	1,311,967	18,173,002
Noncurrent Liabilities					
Capital Leases Payable			292,090		292,090
Policy Claim Liabilities	20,060,000	8,769,293			28,829,293
Total Noncurrent Liabilities	20,060,000	8,769,293	292,090		29,121,383
Total Liabilities	32,534,001	11,868,761	1,579,656	1,311,967	47,294,385
NET ASSETS					
Investment in Capital Assets, Net of Related Debt	3,792		2,412,772	258,798	2,675,362
Restricted for:					
Claims and Judgments	20,154,476				20,154,476
Unrestricted	9,927,356	11,360,155	5,396,070	1,435,538	28,119,119
Total Net Assets	30,085,624	11,360,155	7,808,842	1,694,336	50,948,957
Total Liabilities and Net Assets	$62,619,625	$23,228,916	$9,388,498	$3,006,303	$98,243,342

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2004

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
OPERATING REVENUES					
Sale of Goods and Services	$141,765,866	$7,003,444	$15,519,794	$6,230,464	$170,519,568
Grants and Contributions			187,519		187,519
Other Income		857	105,870	77	106,804
Total Operating Revenues	141,765,866	7,004,301	15,813,183	6,230,541	170,813,891
OPERATING EXPENSES					
Personnel Costs	254,021	394,185	7,185,488	3,289,180	11,122,874
Services and Supplies	322,885	2,721,784	3,435,891	2,594,498	9,075,058
Benefits, Awards, and Premiums	135,802,950	(2,656,487)			133,146,463
Depreciation	3,352		489,816	780,589	1,273,757
Other Expenses	77,436	98,395	1,803,301	78,286	2,057,418
Total Operating Expenses	136,460,644	557,877	12,914,496	6,742,553	156,675,570
Operating Income (Loss)	5,305,222	6,446,424	2,898,687	(512,012)	14,138,321
NONOPERATING REVENUES (EXPENSES)					
Investment Income	1,021,570	298,292		18,292	1,338,154
Interest Expense			(47,775)	(14,663)	(62,438)
Gain (Loss) on Sale of Capital Assets	(7,458)		(23,520)	(105,111)	(136,089)
Other Nonoperating Revenues			11,040		11,040
Total Nonoperating Revenues (Expenses)	1,014,112	298,292	(60,255)	(101,482)	1,150,667
Income (Loss) Before Transfers	6,319,334	6,744,716	2,838,432	(613,494)	15,288,988
Transfers Out			(91,102)		(91,102)
Change in Net Assets	6,319,334	6,744,716	2,747,330	(613,494)	15,197,886
Total Net Assets - Beginning of Year	23,766,290	4,615,439	5,061,512	2,307,830	35,751,071
Total Net Assets - End of Year	$30,085,624	$11,360,155	$7,808,842	$1,694,336	$50,948,957

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2004

	Group Insurance	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$15,246,063	$307,336
Receipts for Interfund Services	121,292,868	6,748,902
Receipts from Grants and Contributions		
Payments to Suppliers	(287,291)	(2,704,664)
Payments to Employees	(252,845)	(396,818)
Payments for Interfund Services	(113,030)	(115,515)
Payments for Benefits, Awards, and Claims	(135,253,087)	(2,154,560)
Other Receipts (Payments)		
Net Cash Provided (Used) by Operating Activities	632,678	1,684,681
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers Out		
Interest Paid		
Net Cash Provided (Used) by Noncapital Financing Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Lease Payments		
Proceeds from Disposition of Capital Assets		
Acquisition and Construction of Capital Assets		
Net Cash Provided (Used) by Capital and Related Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	8,072,961	826,386
Purchase of Investments	(1,053,562)	(601,240)
Redemption of Investments	4,000,000	
Net Cash Provided (Used) by Investing Activities	11,019,399	225,146
Net Increase (Decrease) in Cash and Cash Equivalents	11,652,077	1,909,827
Beginning Cash, Cash Equivalents, and Cash Equity with Treasurer	31,496,040	9,677,424
Ending Cash, Cash Equivalents, and Cash Equity with Treasurer	$43,148,117	$11,587,251
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$5,305,222	$6,446,424
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,352	
Investment Income	(6,109,429)	46,160
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables		5,034
Inventories and Prepaid Items		
Other Current Assets		
Accounts Payable/Interfund Payables		
Deferred Revenue	882,495	
Compensated Absences	1,175	(2,633)
Policy Claim Liabilities	549,863	(4,810,304)
Other Accrued Liabilities		
Net Cash Provided (Used) by Operating Activities	$632,678	$1,684,681

Noncash Transactions: Investments decreased in fair value by $846,026 for Group Insurance and $442,846 for Risk Management.

General Services	Data Processing Services	Total
$4,310,010		$19,863,409
14,550,934	$6,824,746	149,417,450
100,383		100,383
(8,402,787)	(2,522,029)	(13,916,771)
(7,163,747)	(3,283,764)	(11,097,174)
(1,427,525)	(48,900)	(1,704,970)
		(137,407,647)
34,792		34,792
2,002,060	970,053	5,289,472
(91,102)		(91,102)
(9,252)	(14,663)	(23,915)
(100,354)	(14,663)	(115,017)
	(431,630)	(431,630)
(23,752)		(23,752)
(1,092,948)	(89,992)	(1,182,940)
(1,116,700)	(521,622)	(1,638,322)
92,455	18,299	9,010,101
		(1,654,802)
		4,000,000
92,455	18,299	11,355,299
877,461	452,067	14,891,432
3,121,360	1,251,160	45,545,984
$3,998,821	$1,703,227	$60,437,416
$2,898,687	($512,012)	$14,138,321
489,816	780,589	1,273,757
53,933		(6,009,336)
(108,950)	(83,940)	(187,856)
(381,358)	101,854	(279,504)
(930,829)		(930,829)
(132,557)		(132,557)
21,335	678,145	1,581,975
21,742	5,417	25,701
		(4,260,441)
70,241		70,241
$2,002,060	$970,053	$5,289,472

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS account for the receipt, investment, and disbursement of the various retirement funds.

The PERSI BASE PLAN is a qualified tax-deferred plan under the *Internal Revenue Code* and provides retirement, disability, and death benefits to members and beneficiaries. Benefits are funded by member and employer contributions and by earnings on investments.

The FIREMEN'S RETIREMENT FUND is a qualified tax-deferred plan under *Internal Revenue Code* and provides retirement, disability, and death benefits to members and beneficiaries. Benefits are funded by member and employer contributions and by earnings on investments.

The DEFINED CONTRIBUTION 401(k) PLAN is a defined contribution retirement plan qualified under the *Internal Revenue Code*. The Plan consists of employee voluntary contributions, rollover contributions, and some employer matching contributions.

The DEFINED CONTRIBUTION 414(k) PLAN is a defined contribution retirement plan qualified under the *Internal Revenue Code*. The Plan represents the gain sharing allocation made to eligible PERSI members during FY 2001.

The SICK LEAVE INSURANCE RESERVE PLAN is a defined contribution postemployment benefit plan. The Plan provides payment of retiree health insurance premiums on behalf of retired state and school employees, based on accumulated unused sick leave at the time of retirement.

The JUDGES' RETIREMENT FUND provides payment of the annual compensation of retired justices and judges and the allowances to surviving spouses.

Combining Statement of Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds
June 30, 2004

	PERSI Base Plan	Firemen's Retirement	Defined Contribution 414(k)	Defined Contribution 401(k)
ASSETS				
Cash Equity with Treasurer	$2,143,208			
Cash and Cash Equivalents	1,084,223	$91,687		$112,694
Investments:				
Pooled Short Term	270,037,127	7,671,376		
Fixed Income Investments	1,848,187,401	52,504,413		
Marketable Securities	4,901,853,990	139,254,800		
Mutual Funds and Private Equities	158,569,113	4,504,726	$53,977,831	84,731,711
Mortgages and Real Estate	310,626,380	8,824,460		
Receivables:				
Investments Sold	693,228,036	19,610,213		
Contributions	5,000,361	12,974		339,259
Interest and Dividends	32,065,073	907,065	182,600	301,812
Interfund Receivables				
Other Receivables				
Other Assets	24,930,718			
Capital Assets, Net	4,550,368			
Total Assets	8,252,275,998	233,381,714	54,160,431	85,485,476
LIABILITIES				
Accounts Payable	492,672			
Interfund Payables	1,280,632			
Investments Purchased	806,862,992	22,824,748		
Other Accrued Liabilities	5,558,042	148,533		
Total Liabilities	814,194,338	22,973,281		
NET ASSETS				
Held in Trust for:				
Employee Pension Benefits	7,438,081,660	210,408,433	54,160,431	85,485,476
Postemployment Healthcare Benefits				
Total Net Assets	$7,438,081,660	$210,408,433	$54,160,431	$85,485,476

Sick Leave Insurance Reserve	Judges' Retirement	Total
$3,092	$222,302	$2,368,602
		1,288,604
	217,264	277,925,767
64,618,651	15,423,143	1,980,733,608
99,071,343	35,179,510	5,175,359,643
		301,783,381
		319,450,840
		712,838,249
	48,431	5,401,025
	371,195	33,827,745
1,280,632		1,280,632
	135,162	135,162
		24,930,718
		4,550,368
164,973,718	51,597,007	8,841,874,344
	13,835	506,507
		1,280,632
		829,687,740
35,459		5,742,034
35,459	13,835	837,216,913
	51,583,172	7,839,719,172
164,938,259		164,938,259
$164,938,259	$51,583,172	$8,004,657,431

Combining Statement of Changes in Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds
For the Fiscal Year Ended June 30, 2004

	PERSI Base Plan	Firemen's Retirement	Defined Contribution 414(k)	Defined Contribution 401(k)
ADDITIONS				
Contributions:				
Member	$131,089,520	$147,586		$17,489,692
Employer	212,612,908	11,723,357		236,121
Transfers In from Other Plans				3,318,115
Total Contributions	343,702,428	11,870,943		21,043,928
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments	941,608,584	26,636,466	$8,384,355	7,317,598
Interest, Dividends, and Other	199,704,643	5,649,296	35,598	3,251,586
Less Investment Expense:				
Investment Activity Expense	(27,719,160)	(784,127)	(100,475)	(8,037)
Net Investment Income	1,113,594,067	31,501,635	8,319,478	10,561,147
Miscellaneous Income	68,284			
Total Additions	1,457,364,779	43,372,578	8,319,478	31,605,075
DEDUCTIONS				
Benefits and Refunds Paid to Plan Members	328,284,968	15,656,031	197,414	2,022,236
Transfers Out to Other Plans			1,663,219	313,424
Administrative Expense	6,991,503			
Total Deductions	335,276,471	15,656,031	1,860,633	2,335,660
Change in Net Assets Held in Trust for:				
Employee Pension Benefits	1,122,088,308	27,716,547	6,458,845	29,269,415
Employee Postemployment Healthcare Benefits				
Net Assets - Beginning of Year	6,315,993,352	182,691,886	47,701,586	56,216,061
Net Assets - End of Year	$7,438,081,660	$210,408,433	$54,160,431	$85,485,476

Sick Leave Insurance Reserve	Judges' Retirement	Total
	$255,771	$148,982,569
$16,490,818	298,404	241,361,608
		3,318,115
16,490,818	554,175	393,662,292
17,375,355	4,554,727	1,005,877,085
	1,347,260	209,988,383
(95,116)	(118,047)	(28,824,962)
17,280,239	5,783,940	1,187,040,506
9,410	1,556,443	1,634,137
33,780,467	7,894,558	1,582,336,935
9,164,531	3,347,235	358,672,415
		1,976,643
	37,003	7,028,506
9,164,531	3,384,238	367,677,564
	4,510,320	1,190,043,435
24,615,936		24,615,936
140,322,323	47,072,852	6,789,998,060
$164,938,259	$51,583,172	$8,004,657,431

AGENCY FUNDS account for the receipt and disbursement of various monies and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units, organizations, or individuals.

OTHER CUSTODIAL accounts for the receipts and disbursements of monies collected by the State and distributed to other entities or individuals. This includes deposits of securities by banks and insurance companies doing business in the State.

PAYROLL is a clearing fund for state and federal withholding, social security taxes, and voluntary employee deductions related to the State's payroll.

Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2004

	Custodial	Payroll	Total
ASSETS			
Cash Equity with Treasurer	$12,566,090		$12,566,090
Cash and Cash Equivalents	2,551,767		2,551,767
Investments:			
Fixed Income Investments	154,886,838		154,886,838
Other Investments	3,803,875		3,803,875
Receivables:			
Interest and Dividends	8,930,713		8,930,713
Total Assets	$182,739,283	$0	$182,739,283
LIABILITIES			
Due to Other Entities	$1,128,205		$1,128,205
Deposits	180,111,856		180,111,856
Other Accrued Liabilities	1,499,222		1,499,222
Total Liabilities	$182,739,283	$0	$182,739,283

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
CUSTODIAL				
Assets				
Cash Equity with Treasurer	$6,022,496	$287,413,093	$280,869,499	$12,566,090
Cash and Cash Equivalents	1,275,135	3,091,015	1,814,383	2,551,767
Fixed Income Investments	160,159,849	154,886,838	160,159,849	154,886,838
Other Investments	8,631,612	2,595,286	7,423,023	3,803,875
Interest and Dividends	137,686	15,971,298	7,178,271	8,930,713
Total Assets	$176,226,778	$463,957,530	$457,445,025	$182,739,283
Liabilities				
Due to Other Entities	$353,798	$1,634,492	$860,085	$1,128,205
Deposits	174,617,285	177,634,575	172,140,004	180,111,856
Other Accrued Liabilities	1,255,695	37,166,845	36,923,318	1,499,222
Total Liabilities	$176,226,778	$216,435,912	$209,923,407	$182,739,283
PAYROLL				
Assets				
Cash Equity with Treasurer		$1,104,950,540	$1,104,950,540	
Total Assets	$0	$1,104,950,540	$1,104,950,540	$0
Liabilities				
Other Accrued Liabilities		$1,419,340,426	$1,419,340,426	
Total Liabilities	$0	$1,419,340,426	$1,419,340,426	$0
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash Equity with Treasurer	$6,022,496	$1,392,363,633	$1,385,820,039	$12,566,090
Cash and Cash Equivalents	1,275,135	3,091,015	1,814,383	2,551,767
Fixed Income Investments	160,159,849	154,886,838	160,159,849	154,886,838
Other Investments	8,631,612	2,595,286	7,423,023	3,803,875
Interest and Dividends	137,686	15,971,298	7,178,271	8,930,713
Total Assets	$176,226,778	$1,568,908,070	$1,562,395,565	$182,739,283
Liabilities				
Due to Other Entities	$353,798	$1,634,492	$860,085	$1,128,205
Deposits	174,617,285	177,634,575	172,140,004	180,111,856
Other Accrued Liabilities	1,255,695	1,456,507,271	1,456,263,744	1,499,222
Total Liabilities	$176,226,778	$1,635,776,338	$1,629,263,833	$182,739,283

Statistical Section

Bogus Basin Tubing Fun
Photo Courtesy of Bogus Basin Mountain Resort

BOGUS BASIN MOUNTAIN RESORT

Bogus Basin Mountain Resort is one of the few successful non-profit ski resorts in North America. The Resort got its name from fool's gold that was found locally. The resort is located just 16.5 miles from downtown Boise. It caters to nearly 400,000 skiers and snowboarders each winter season. Bogus prides itself on being an affordable family resource. It began this tradition by offering $199 season passes in 1998.

Bogus offers night skiing on many of its runs. During summer months, Bogus is host to concerts, weddings, and reunions.

Summertime Hiking on Bogus Basin's Ski Runs
Photo Courtesy of the Bogus Basin Mountain Resort

Schedule 1 - Revenues by Source

General Governmental Revenues[1] *(dollars in millions)*

Fiscal Years 1995-2004

	%	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Sales Tax	21.44%	$1,040	$864	$778	$778	$762	$712	$664	$624	$605	$576
Individual and Corporate Taxes	20.57%	998	904	890	1,171	1,104	1,109	1,053	971	948	877
Other Taxes	8.21%	398	388	363	412	407	386	378	369	304	425
Licenses, Permits, and Fees	4.95%	240	231	213	215	179	168	158	144	151	142
Sale of Goods and Services	5.20%	252	181	173	113	107	97	79	55	49	50
Grants and Contributions	35.37%	1,716	1,447	1,330	1,265	1,112	952	903	895	806	724
Investment Income	2.80%	136	50	(52)	97	102	103	98	80	72	63
Other Income	1.46%	71	103	73	57	74	42	57	42	90	95
Total Revenues	**100.00%**	**$4,851**	**$4,168**	**$3,768**	**$4,108**	**$3,847**	**$3,569**	**$3,390**	**$3,180**	**$3,025**	**$2,952**

[1]GASB Statement No. 34 was implemented in FY 2002 and the amounts now include General, Health and Welfare, Transportation, Public School Endowment, Pooled Endowment, and Nonmajor Special Revenue funds.

This schedule was prepared on a budgetary basis for years prior to 1996 and on a GAAP basis thereafter.

Schedule 2 - Expenditures by Function

General Governmental Expenditures[1] *(dollars in millions)*

Fiscal Years 1995-2004

	%	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
General Government	2.79%	$123	$139	$128	$254	$237	$379	$413	$383	$350	$358
Public Safety and Correction	4.98%	219	214	218	260	218	215	194	175	156	129
Health and Human Services	33.39%	1,469	1,315	1,207	1,124	949	868	809	767	731	638
Education	29.09%	1,280	1,241	1,219	1,394	1,319	1,255	1,142	1,107	1,062	999
Economic Development	6.98%	307	347	327	446	440	414	381	399	321	525
Natural Resources	3.73%	164	148	162	147	142	137	124	124	127	140
Capital Outlay*	9.91%	436	401	353	401	351	324	267	259	251	
Debt Service*	0.36%	16	19	16							
Intergovernmental Revenue Sharing*	8.77%	386	315	343							
Total Expenditures	**100.00%**	**$4,400**	**$4,139**	**$3,973**	**$4,026**	**$3,656**	**$3,592**	**$3,330**	**$3,214**	**$2,998**	**$2,789**

[1]GASB Statement No. 34 was implemented in FY 2002 and the amounts now include General, Health and Welfare, Transportation, Public School Endowment, Pooled Endowment, and Nonmajor Special Revenue funds.

This schedule was prepared on a budgetary basis for years prior to 1996 and on a GAAP basis thereafter.

*Classification structure changed in fiscal years 1996 and 2002. Data from prior years for these classifications is not available.

Schedule 3 - Property Taxes by Taxing District and Category of Property

The State of Idaho does not levy property taxes. Information is for other taxing entities within the State.

Property Taxes by Taxing District

Tax Levy Years 1994-2003 *(dollars in millions)*

	2003	2002	2001	2000	1999	1998	1997	1996	1995*	1994
County	$247.6	$228.7	$210.7	$212.3	$202.0	$188.8	$180.4	$172.7	$162.3	$155.3
City	231.4	225.2	210.7	193.9	179.5	169.0	159.2	149.1	136.8	127.3
School	467.7	441.0	408.1	391.9	369.3	346.6	327.7	301.2	277.0	285.3
Roads/Highways	56.7	53.3	51.9	50.0	47.4	44.8	42.3	40.6	38.8	36.2
Community College	8.3	7.8	7.3	10.0	9.7	9.3	9.0	9.8	9.5	9.4
All Others	69.4	65.3	59.8	56.2	52.2	48.5	45.1	41.6	39.8	38.1
Total	**$1,081.1**	**$1,021.3**	**$948.5**	**$914.3**	**$860.1**	**$807.0**	**$763.7**	**$715.0**	**$664.2**	**$651.6**

Property Taxes by Category of Property

Tax Levy Years 1994-2003

	2003	2002	2001	2000	1999	1998	1997	1996	1995*	1994
Residential	58.9%	57.7%	57.1%	55.8%	54.8%	54.4%	54.8%	54.9%	54.4%	52.1%
Commercial/Industrial	30.6%	31.2%	31.5%	31.4%	31.4%	31.2%	30.4%	30.0%	30.2%	31.0%
Agricultural	4.3%	4.4%	4.7%	6.0%	6.4%	6.5%	6.6%	6.8%	7.3%	8.0%
Timber	1.1%	1.2%	1.4%	1.5%	1.7%	1.7%	1.6%	1.5%	1.4%	1.5%
Mining	0.3%	0.3%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%
Operating	4.8%	5.2%	5.1%	5.1%	5.4%	5.9%	6.3%	6.5%	6.4%	7.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Urban	65.6%	63.9%	63.2%	62.1%	60.8%	60.8%	60.3%	60.6%	59.7%	58.9%
Rural	34.4%	36.1%	36.8%	37.9%	39.2%	39.2%	39.7%	39.4%	40.3%	41.1%
% Change Total Tax Collections	5.9%	7.7%	3.8%	6.3%	6.6%	5.7%	6.8%	7.6%	1.9%	9.8%
Amount Tax Collections *(in milli*	$1,081.1	$1,021.3	$948.5	$914.3	$860.1	$807.0	$763.7	$715.0	$664.2	$651.6
Amount Market Value *(in billion*	$73.8	$70.2	$65.3	$62.0	$59.0	$55.5	$52.9	$48.8	$44.2	$38.7
Average Tax Rate	1.465%	1.454%	1.452%	1.474%	1.459%	1.445%	1.444%	1.466%	1.502%	1.683%

*House Bill 156 became law in 1995. This included $40.8M of school Maintenance and Operations (M&O) property tax relief as a result of reducing the maximum M&O tax rate from .4% to .3%. Also other local M&O taxing district budgets were capped at a 3% increase plus the previous year's M&O tax rate times the taxable value of any new construction. The school tax relief was paid by state tax collections.

Source: Associated Taxpayers of Idaho

Schedule 4 - State Sales Tax Revenues

Fiscal Years 1995-2004 *(dollars in millions)*

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Total Sales	$45,103	$42,215	$43,144	$43,069	$43,017	$38,350	$36,572	$34,900	$32,338	$29,615
Nontaxable	28,827	26,689	26,696	29,855	29,052	25,100	24,398	23,230	21,167	18,992
Net Taxable	16,276	15,526	16,448	13,214	13,965	13,250	12,174	11,670	11,171	10,623
Use Tax	1,038	1,140	1,017	997	947	844	795	764	802	768
Total Taxable	**$17,314**	**$16,666**	**$17,465**	**$14,211**	**$14,912**	**$14,094**	**$12,969**	**$12,434**	**$11,973**	**$11,391**
Tax Due	$1,029	$838	$872	$737	$745	$700	$652	$624	$600	$574

Source: Idaho State Tax Commission

Schedule 5 - Total Resident Population and Components of Change

Calendar Years 1995-2004

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Population *(in thousands)*	1,384.6	1,362.5	1,341.0	1,320.7	1,299.1	1,275.7	1,252.3	1,228.4	1,203.2	1,177.0
Population % Change	1.6%	1.6%	1.5%	1.7%	1.8%	1.9%	1.9%	2.1%	2.2%	2.8%
Births Number	21.680	21.318	20.988	20.684	20.304	19.897	19.188	18.599	18.482	17.915
Deaths Number	10.281	10.116	9.935	9.811	9.538	9.488	9.105	8.953	8.679	8.553
Net Migration Number	10.772	10.256	9.311	10.645	12.658	12.975	13.836	15.583	16.417	22.652

Note: 2004 numbers are estimates.
Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXVI, No. 3, July, 2004

Schedule 6 - Residential Building Activity
Housing Starts

Calendar Years 1995-2004

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Idaho	15,810	16,333	13,178	12,237	11,522	10,341	10,112	8,863	9,221	9,360
% Change	(3.2)%	23.9%	7.7%	6.2%	11.4%	2.3%	14.1%	(3.9)%	(1.5)%	(26.7)%
National *(in millions)*	1.895	1.853	1.710	1.601	1.573	1.647	1.621	1.475	1.469	1.361
% Change	2.3%	8.3%	6.8%	1.8%	(4.5)%	1.6%	9.9%	0.4%	7.9%	(5.9)%

Note: 2004 numbers are estimates.
Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXVI, No. 3, July, 2004

Schedule 7 - Domestic Financial Institutions Deposits

Calendar Years 1994-2003 *(dollars in millions)*

Institution Type	No. of Branches	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Banks	402	$10,408	$9,847	$9,489	$9,182	$8,825	$8,798	$8,576	$9,125	$8,991	$8,424
Savings & Loans	69	1,689	1,582	1,319	1,121	1,041	1,027	912	899	854	861
Credit Unions	72	2,075	1,874	1,621	1,433	1,366	1,202	1,191	1,130	1,005	967
FDIC Savings Banks	29	480	415	299	296	275	172	26			
Total	**572**	**$14,652**	**$13,718**	**$12,728**	**$12,032**	**$11,507**	**$11,199**	**$10,705**	**$11,154**	**$10,850**	**$10,252**

Source: 2004/Sheshunoff Information Services, Inc.

Schedule 8 - Ten Largest Private Employers in Idaho

As of June 30, 2004

Major Idaho Employers	Employees
Albertsons, Inc.	Over 5,000
Bechtel BWTX Idaho, LLC.	Over 5,000
Micron Technology, Inc.	Over 5,000
Wal-Mart Associates, Inc.	Over 5,000
Hewlett-Packard Co.	3,000-5,000
J.R. Simplot Co.	3,000-5,000
St. Alphonsus Regional Medical Center	3,000-5,000
St. Luke's Regional Medical Center	3,000-5,000
Kroger Cooperative Group, Inc. (Fred Meyer)	2,000-3,000
Potlatch Corporation	2,000-3,000

Source: Idaho Department of Commerce & Labor, based on a calendar year average

Schedule 9 - Employment Comparison

Calendar Years 1994-2003

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Idaho Civilian Labor For	692,543	684,749	682,228	657,712	655,300	653,056	633,600	619,304	601,194	591,463
% Change	1.1%	0.4%	3.7%	0.4%	0.3%	3.1%	2.3%	3.0%	1.6%	8.0%
U.S. Civilian Labor Force										
(in thousands)	146,510	144,863	143,734	142,583	139,368	137,673	136,297	133,943	132,304	131,056
% Change	1.1%	0.8%	0.8%	2.3%	1.2%	1.0%	1.8%	1.2%	1.0%	1.4%
Idaho Employment	655,103	645,066	648,392	625,798	621,400	620,217	599,800	586,874	568,801	558,589
% Change	1.6%	(0.5)%	3.6%	0.7%	0.2%	3.4%	2.2%	3.2%	1.8%	8.7%
U.S. Employment										
(in thousands)	137,736	136,485	136,933	136,891	133,488	131,463	129,558	126,708	124,900	123,060
% Change	0.9%	(0.3)%	0.0%	2.5%	1.5%	1.5%	2.2%	1.4%	1.5%	2.3%

Source: Bureau of Labor Statistics, Idaho Department of Commerce & Labor

Schedule 10 - Labor Force and Employment by Sector

Calendar Years 1994-2003

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Resident Civilian Labor Force and Employment in Idaho										
Civilian Labor Force	692,543	684,749	682,228	657,712	655,300	653,056	633,600	619,304	601,194	591,463
Unemployment	37,440	39,683	33,836	31,914	33,900	32,839	33,800	32,430	32,393	32,874
Net Employment	**655,103**	**645,066**	**648,392**	**625,798**	**621,400**	**620,217**	**599,800**	**586,874**	**568,801**	**558,589**
Unemployment Percentage Rate	5.40%	5.8%	5.0%	4.9%	5.2%	5.0%	5.3%	5.2%	5.4%	5.6%
Nonagricultural Wage and Salary Workers Employed in Idaho										
Goods Producing Industries										
Mining	1,788	1,758	2,036	2,425	2,579	2,902	3,068	3,067	2,725	2,423
Logging	1,838	2,021	2,091	2,307	2,438	2,512	2,703	2,870	2,828	2,941
Construction	36,713	36,480	37,251	36,432	34,881	32,228	31,870	30,615	29,642	29,017
Manufacturing-Durable Goods	38,120	40,312	44,181	45,609	44,699	44,659	42,864	41,193	39,283	37,674
Manufacturing-Nondurable Goods	23,947	24,484	29,006	29,253	28,984	28,941	29,012	28,831	28,907	31,256
Total Goods Producing Industries	**102,406**	**105,055**	**114,565**	**116,026**	**113,581**	**111,242**	**109,517**	**106,576**	**103,385**	**103,311**
Service Producing Industries										
Transportation, Comm., and Utilit.	27,841	27,829	28,134	27,943	26,896	25,497	24,271	23,409	22,707	21,882
Trade	97,103	97,328	140,955	141,103	136,266	132,620	129,197	125,199	121,408	116,708
Finance, Insurance, and Real Estate	26,946	25,822	24,086	23,495	23,558	22,930	25,430	25,183	24,981	24,108
Service	204,911	200,002	150,366	145,038	135,782	128,782	122,515	116,019	110,130	102,853
State and Local Government	99,419	98,482	96,906	92,223	90,249	87,715	84,983	82,582	81,693	79,040
Federal Government	13,627	13,559	13,287	13,428	12,836	12,796	12,901	12,895	13,109	13,486
Total Service Producing Industrie	**469,847**	**463,022**	**453,734**	**443,230**	**425,587**	**410,340**	**399,297**	**385,287**	**374,028**	**358,077**
Nonfarm Wage & Salary Employ	**572,253**	**568,077**	**568,299**	**559,256**	**539,168**	**521,582**	**508,814**	**491,863**	**477,413**	**461,388**

Source: Idaho Department of Commerce & Labor

Schedule 11 - Average Annual Wage

Calendar Years 1995-2004

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Idaho	$30,633	$29,680	$29,182	$28,751	$28,659	$26,933	$25,822	$24,803	$24,147	$23,594
% Change	3.2%	1.7%	1.5%	0.3%	6.2%	4.5%	4.1%	2.7%	2.3%	3.8%
National	$40,773	$39,251	$38,165	$37,493	$36,642	$34,622	$33,219	$31,582	$30,237	$29,148
% Change	3.9%	2.8%	1.8%	2.3%	5.8%	4.2%	5.2%	4.5%	3.7%	3.1%

Note: 2004 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXV1, No. 3, July, 2004

Schedule 12 - Personal Income Comparison

Idaho vs. National

Calendar Years 1995-2004

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
In Current Dollars										
Idaho *(in millions)*	$37,448	$35,403	$34,217	$32,963	$31,290	$29,068	$27,287	$25,367	$24,360	$22,871
% Change	5.8%	3.5%	3.8%	5.3%	7.6%	6.5%	7.6%	4.1%	6.5%	6.8%
National *(in billions)*	$9,733	$9,208	$8,910	$8,713	$8,430	$7,802	$7,423	$6,915	$6,521	$6,152
% Change	5.7%	3.3%	2.3%	3.4%	8.0%	5.1%	7.3%	6.1%	6.0%	5.3%
In 2000 Dollars										
Idaho *(in millions)*	$34,780	$33,611	$33,081	$32,303	$31,289	$29,788	$28,429	$26,666	$26,040	$24,973
% Change	3.5%	1.6%	2.4%	3.2%	5.0%	4.8%	6.6%	2.4%	4.3%	4.5%
National *(in billions)*	$9,040	$8,742	$8,615	$8,539	$8,429	$7,996	$7,734	$7,269	$6,970	$6,718
% Change	3.4%	1.5%	0.9%	1.3%	5.4%	3.4%	6.4%	4.3%	3.8%	3.1%

Note: 2004 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXVI, No. 3, July, 2004

Schedule 13 - Personal Income by Component

Calendar Years 1995-2004 *(dollars in millions)*

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Total Personal Income	$37,448	$35,403	$34,217	$32,963	$31,290	$29,068	$27,287	$25,367	$24,360	$22,871
% Change	5.8%	3.5%	3.8%	5.3%	7.6%	6.5%	7.6%	4.1%	6.5%	6.8%
Wage and Salaries	$18,448	$17,644	$17,177	$16,893	$16,552	$15,024	$13,936	$13,078	$12,284	$11,701
% Change	4.6%	2.7%	1.7%	2.1%	10.2%	7.8%	6.6%	6.5%	5.0%	7.4%
Farm Proprietors Income	$784	$657	$716	$644	$471	$690	$607	$425	$643	$515
% Change	19.4%	(8.3)%	11.1%	36.9%	(31.8)%	13.7%	42.8%	(33.9)%	25.0%	13.6%
Nonfarm Proprietors Income	$4,021	$3,659	$3,457	$3,271	$2,883	$2,765	$2,480	$2,313	$2,324	$2,229
% Change	9.9%	5.9%	5.7%	13.5%	4.3%	11.5%	7.2%	(0.5)%	4.2%	(3.6)%
Dividends, Rent, Interest	$6,647	$6,327	$6,302	$6,174	$5,909	$5,546	$5,545	$5,068	$4,718	$4,350
% Change	5.1%	0.4%	2.1%	4.5%	6.5%	0.0%	9.4%	7.4%	8.5%	9.9%
Other Labor Income	$4,390	$4,097	$3,875	$3,644	$3,549	$3,243	$3,063	$2,929	$2,881	$2,846
% Change	7.2%	5.7%	6.3%	2.7%	9.4%	5.9%	4.6%	1.7%	1.2%	4.3%
Government Transfers to Individuals	$5,671	$5,384	$4,974	$4,543	$4,079	$3,776	$3,557	$3,408	$3,319	$3,023
% Change	5.3%	8.2%	9.5%	11.4%	8.0%	6.1%	4.4%	2.7%	9.8%	8.4%
Contribution for Social Insurance	$3,076	$2,909	$2,814	$2,739	$2,676	$2,480	$2,337	$2,223	$2,134	$2,074
% Change	5.8%	3.4%	2.7%	2.4%	7.9%	6.1%	5.1%	4.2%	2.9%	6.3%
Residence Adjustment	$564	$544	$531	$532	$525	$504	$437	$369	$326	$281
% Change	3.6%	2.4%	(0.2)%	1.4%	4.1%	15.4%	18.3%	13.2%	15.9%	18.3%

Note: 2004 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXVI, No. 3, July, 2004

Schedule 14 - Per Capita Personal Income Comparison

Idaho vs. National

Calendar Years 1995-2004

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
In Current Dollars										
Idaho	$27,044	$25,983	$25,515	$24,959	$24,084	$22,784	$21,788	$20,649	$20,246	$19,431
% Change	4.1%	1.8%	2.2%	3.6%	5.7%	4.6%	5.5%	2.0%	4.2%	3.9%
National	$33,068	$31,593	$30,874	$30,495	$29,807	$27,896	$26,844	$25,301	$24,142	$23,047
% Change	4.7%	2.3%	1.2%	2.3%	6.9%	3.9%	6.1%	4.8%	4.8%	4.1%
In 1996 Dollars										
Idaho	$25,118	$24,669	$24,669	$24,460	$24,084	$23,349	$22,700	$21,707	$21,642	$21,218
% Change	1.8%	0.0%	0.9%	1.6%	3.1%	2.9%	4.6%	0.3%	2.0%	1.7%
National	$30,713	$29,995	$29,851	$29,886	$29,807	$28,589	$27,968	$26,597	$25,807	$25,166
% Change	2.4%	0.5%	(0.1)%	0.3%	4.3%	2.2%	5.2%	3.1%	2.5%	1.9%

Note: 2004 numbers are estimates.

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXVI, No. 3, July, 2004

Schedule 15 - Full-Time Equivalent Positions - State Employees

Fiscal Years 1995-2004

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
State Board of Education	5,063	4,987	5,218	5,045	4,991	4,846	4,758	4,692	4,683	4,605
Department of Health and Welfare	2,805	2,922	3,092	3,038	3,629	3,627	3,621	3,623	3,657	4,105
Idaho Transportation Department	1,838	1,838	1,836	1,831	1,829	1,800	1,745	1,813	1,811	1,820
Department of Correction	1,417	1,385	1,465	1,383	1,354	1,362	1,312	1,109	1,150	1,078
Executive Office of the Governor	559	558	557	543	523	470	680	666	652	650
Department of Fish and Game	518	518	511	506	499	500	501	505	523	523
Idaho State Police	527	526	542	521	515	496	494	488	486	489
Department of Revenue and Taxatic	410	416	420	420	419	419	378	378	376	375
All Other	3,268	3,272	3,291	3,155	2,483	2,537	2,473	2,408	2,368	2,160
State Total	**16,405**	**16,422**	**16,932**	**16,442**	**16,242**	**16,057**	**15,962**	**15,682**	**15,706**	**15,805**

Source: Idaho Legislative Budget FY2005, FY 2003, FY 2002, FY 2001, FY 2000, FY 1997, FY 1995

Schedule 16 - Public School Enrollment Grades K-12

Academic Years 1994/95-2003/04

	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95
Elementary	135,216	133,501	132,406	131,835	131,348	131,018	130,080	129,525	129,570	129,031
Secondary	116,821	115,014	114,009	113,174	113,878	113,605	114,323	115,727	113,627	111,417
Total All Grades	**252,037**	**248,515**	**246,415**	**245,009**	**245,226**	**244,623**	**244,403**	**245,252**	**243,197**	**240,448**

Starting in academic year 1997/98, the reporting date changed from the last Friday in September to the first Friday in November.
Source: Idaho Department of Education

Schedule 17 - Public Higher Education Enrollment

Student Headcount (Calendar Years 1995-2004)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Boise State University	18,418	18,431	17,688	17,176	16,482	16,209	15,744	15,467	15,137	14,969
Idaho State University	13,803	13,625	13,352	13,663	13,037	12,650	12,232	11,870	12,139	12,027
University of Idaho	12,824	12,894	12,423	12,067	11,635	11,305	11,437	11,027	11,133	11,727
Lewis-Clark State College	3,145	3,228	2,967	2,952	2,696	2,815	2,972	3,008	2,967	3,118
Total Colleges and Universities	48,190	48,178	46,430	45,858	43,850	42,979	42,385	41,372	41,376	41,841
College of Southern Idaho	7,068	6,824	6,892	6,296	5,456	5,056	4,871	4,872	4,270	4,359
North Idaho College	4,519	4,449	4,179	4,102	3,981	3,894	3,469	3,597	3,610	3,276
Total Community Colleges	11,587	11,273	11,071	10,398	9,437	8,950	8,340	8,469	7,880	7,635
Eastern Idaho Technical College	788	860	702	598	595	653	601	540	374	409
Total System	**60,565**	**60,311**	**58,203**	**56,854**	**53,882**	**52,582**	**51,326**	**50,381**	**49,630**	**49,885**

Note: Total headcount includes academic full-time, academic part-time, and vocational.
Source: Idaho State Board of Education

Schedule 18 - Number of Teachers, Average Salary, and Number of High School Graduates

Academic Years 1993-2002

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Number of Teachers *(in thousands)*										
Elementary	7.1	7.1	7.0	6.8	6.8	6.7	6.6	6.5	6.3	6.2
Secondary	6.7	6.7	6.7	6.6	6.6	6.4	6.2	6.1	5.7	5.6
Total	**13.8**	**13.8**	**13.7**	**13.4**	**13.4**	**13.1**	**12.8**	**12.6**	**12.0**	**11.8**
Average Annual Teacher's Salary *(in thousands)*										
Elementary	$39.3	$36.4	$35.2	$34.2	$32.7	$31.8	$30.8	$29.7	$27.6	$26.8
Secondary	$39.0	$36.3	$35.1	$34.0	$32.8	$31.9	$31.0	$29.9	$27.9	$27.2
All Teachers	$39.2	$36.4	$35.2	$34.1	$32.8	$31.8	$30.9	$29.8	$27.8	$27.0
Rank Among All States[1]	28	29	37	39	40	40	41	42	45	46
Number of High School Graduates[1]	16[a]	15.9[a]	16.2[a]	15.7[a]	15.1[a]	15.6[a]	14.5[a]	14.2	13.3	13.0

[1]Includes Washington D.C.

[a]Estimate

Source: Statistical Abstract of the United States 2003. Average annual teacher's salary for all teachers modified by the Office of the State Controller.

Schedule 19 - FY 2003-2004 School District Information

School District Size	Number of Districts	Total Enrollment	Student-Teacher Ratio	Expenditure Per Student*
Over 5,000 Students	11	129,899	18.8	$5,978
2,500 to 4,999 Students	14	54,234	18.2	$6,042
1,000 to 2,499 Students	29	45,093	18.1	$6,155
500 to 999 Students	19	12,923	15.3	$7,677
Less than 500 Students	41	9,888	12.4	$8,957
Statewide Total/Average	**114**	**252,037**	**18.0**	**$6,227**

Source: 2003 Idaho Fiscal Facts, Legislative Services Office

*State Department of Education Sources (Uses FY 2003 financial data as most current available.)

Schedule 20 - Idaho's Rank in the Nation's Agriculture

Calendar Year 2003

Commodity	Rank Among States	Production	Unit	% of U.S.
Crops:				
Potatoes	1	123,180,000	cwt.	27%
Austrian Winter Peas	1	112,000	cwt.	64%
Wrinkled Seed Peas	2	163,000	cwt.	24%
Barley	2	47,520,000	bu.	17%
Sugarbeets	2	6,044,000	ton	20%
Lentils	3	627,000	cwt.	26%
Dry Edible Peas	3	648,000	cwt.	12%
All Mint	3	1,414,000	lb.	16%
Hops	3	5,266,300	lb.	10%
Onions (Summer Storage)[1]	3	5,880,000	cwt.	16%
Prunes and Plums (Fresh)[2]	4	2,500	ton	15%
Alfalfa Hay	5	4,440,000	ton	6%
Other Spring Wheat	5	29,700,000	bu.	6%
Dry Edible Beans	5	1,497,000	cwt.	7%
Sweet Cherries	5	2,900	ton	1%
All Wheat	9	87,300,000	bu.	4%
Winter Wheat	10	57,600,000	bu.	3%
All Hay	11	4,950,000	ton	3%
Apples	11	70,000,000	lb.	1%
Livestock and Livestock Products:				
Foodsize Trout[3]	1	34,600,000	lb.	68%
American Cheese	4	481,045,000	lb.	13%
Milk Production	5	8,774	mil. lb.	5%
Milk Cows[4]	6	404,000	head	4%
Wool	8	2,115,000	lb.	6%
All Sheep and Lambs[5]	8	260,000	head	4%
Honey	11	4,600,000	lb.	3%
All Cattle and Calves[5]	15	2,010,000	head	2%

[1]Excludes California

[2]Includes only Idaho, Washington, Michigan, and Oregon - fresh basis.

[3]Foodsize fish are defined as being 12 inches long or longer.

[4]Average number during year; excluding heifers not yet fresh.

[5]January 1, 2004, inventory.

Source: Idaho Agricultural Statistics Service

Schedule 21 - Expenditure and Inmate Population Growth

Fiscal Years 1995-2004

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Expenditures *(in thousand:*	$120,110	$118,156	$120,159	$105,491	$93,452	$87,702	$82,045	$71,126	$64,409	$59,755
% Change	1.7%	(1.7)%	13.9%	12.9%	6.6%	6.9%	15.4%	10.4%	7.8%	24.5%
Inmate Population	6,312	5,825	5,802	5,452	5,002	4,404	3,957	3,959	3,496	3,150
% Change	8.4%	0.4%	6.4%	9.0%	13.6%	11.3%	(0.1)%	13.2%	11.0%	13.0%

Source: 2004 Legislative Services Office

Schedule 22 - Gross Domestic Product

Calendar Years 1995-2004 *(dollars in billions)*

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Current Dollars	$11,766	$10,988	$10,481	$10,101	$9,817	$9,268	$8,747	$8,304	$7,817	$7,398
% Change	7.1%	4.8%	3.8%	2.9%	5.9%	6.0%	5.3%	6.2%	5.7%	4.6%
2000 Chain-Weighted*	$10,909	$10,398	$10,083	$9,867	$9,817	$9,470	$9,067	$8,704	$8,329	$8,032
% Change	4.9%	3.1%	2.2%	0.5%	3.7%	4.5%	4.2%	4.5%	3.7%	2.5%

Note: 2004 numbers are estimates.

*Chain-weighting is a method of indexing for inflation that measures changes to GDP using current data (rather than the traditional method of projecting from a fixed point in the past.)

Source: Division of Financial Management, Economic Analysis Bureau, Vol. XXVI, No. 3, July, 2004

Schedule 23 - Idaho's Tax Ranking Among the 50 States and D.C.

Lower ranking equals higher taxes, with 1 being the highest and 51 being the lowest.

Fiscal Year 1993-2002

		Income Basis for Ranking									Per Capita Basis for Ranking								
Type of Tax	**States w/T**	**2002***	**2000**	**1999**	**1998**	**1997**	**1996**	**1995**	**1994**	**1993**	**2002***	**2000**	**1999**	**1998**	**1997**	**1996**	**1995**	**1994**	**1993**
Property	51	31	29	29	30	31	34	35	37	37	37	36	36	36	36	35	37	38	38
Sales	47	27	31	28	30	29	25	25	22	27	39	39	39	40	38	36	36	34	34
Individual Incon	44	22	16	16	16	15	15	16	15	16	30	23	26	28	27	27	27	24	26
Corporate Incon	47	30	21	31	23	13	10	15	21	25	34	25	36	25	21	15	18	24	28
Motor Vehicle	51	3	4	3	3	3	9	9	6	6	8	6	2	3	4	13	16	9	12
Overall	51	38	20	17	22	21	24	23	25	33	44	39	41	41	41	40	40	38	39
Per Capita Income Ranki		44	42	46	46	45	42	40	40	40									

*2002 Most Current Year Available

Source: Idaho Tax Commission

Schedule 24 - Revenue from the Lottery

Fiscal Years 1995-2004

	2004	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**	**1997**	**1996**	**1995**
Type of Ticket *(in millions)*										
Scratch	$68.6	$61.0	$56.3	$51.8	$57.3	$56.4	$58.8	$61.2	$63.7	$57.4
On-Line	$39.5	$35.9	$35.3	$28.6	$27.6	$32.5	$29.2	$23.8	$25.4	$28.8
Break Open	$1.2	$1.3	$1.1	$1.3	$1.6	$1.5	$1.6	$2.0	$2.0	$1.7
Other Income *(in millions)*	$0.1	$0.1	$3.1	$3.9	$0.6	$0.6	$0.5	$0.6	$0.5	$0.5
Gross Revenue *(in millions)*	$109.4	$98.3	$95.8	$85.6	$87.1	$91.0	$90.1	$87.6	$91.6	$88.4
Less:										
Prizes	$64.7	$56.6	$53.1	$49.3	$51.0	$52.3	$52.4	$53.3	$55.2	$52.9
Administration	$20.3	$19.7	$18.8	$17.8	$17.9	$17.3	$17.1	$15.9	$16.6	$16.9
Net Proceeds	**$24.4**	**$22.0**	**$23.9**	**$18.5**	**$18.2**	**$21.4**	**$20.6**	**$18.4**	**$19.8**	**$18.6**

Source: Idaho State Lottery

Schedule 25 - Assets, Liabilities, and Fund Balances
General Fund Accounts
June 30, 2004

	State General Account	Permanent Building	Budget Reserve	Millennium	Income Earnings
ASSETS					
Cash Equity with Treasurer	$115,541,918	$22,233,012	$34	$5,278,038	$33,464,821
Cash and Cash Equivalents	1,160	347,255			66,661
Investments	62,580	6,764,778		17,862,270	1,298,614
Securities Lending Collateral	477,559,054				
Accounts Receivable, Net	552,705			12,042,084	
Taxes Receivable, Net	203,058,111	1,167,061			425,384
Interfund Receivables		189,650			
Inventories and Prepaid Items	1,449,317				100,649
Other Assets		56,104		37,988	10,770
Total Assets	$798,224,845	$30,757,860	$34	$35,220,380	$35,366,899
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$10,190,334	$16,588,596			$161,071
Interfund Payables	140,616	60,188			
Deferred Revenue	62,182,648	4,800,274		$12,069,342	14,090
Deposits	337,601				313,114
Obligations Under Securities Lending	477,559,054				
Other Accrued Liabilities	12,148,927	135,298			8,077
Total Liabilities	562,559,180	21,584,356		12,069,342	496,352
Fund Balances					
Reserved for:					
Encumbrances	7,758,469	12,274		78,926	19,711,164
Inventories and Prepaid Items	1,449,317				100,649
Noncurrent Receivables					
Unreserved, Reported in:					
General Fund	226,457,879	9,161,230	$34	23,072,112	15,058,734
Total Fund Balances	235,665,665	9,173,504	34	23,151,038	34,870,547
Total Liabilities and Fund Balances	$798,224,845	$30,757,860	$34	$35,220,380	$35,366,899

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	Total
$30,098,875	$1,775,302	$190,157	$2,161,685	$2,723,216	$5,653,094	$219,120,152
					71,151	486,227
					83,410	26,071,652
						477,559,054
						12,594,789
13,762,727	26,165,530				1,145,713	245,724,526
				31,954	307,499	529,103
				3,463,784		5,013,750
						104,862
$43,861,602	$27,940,832	$190,157	$2,161,685	$6,218,954	$7,260,867	$987,204,115
				$102,590		$27,042,591
			$7,386	6,849		215,039
$1,548,580	$14,908,911				$10,650	95,534,495
						650,715
						477,559,054
		($59,999)	149,214	154,117	3,084,847	15,620,481
1,548,580	14,908,911	(59,999)	156,600	263,556	3,095,497	616,622,375
			7,386		128,513	27,696,732
				3,463,784		5,013,750
					301,499	301,499
42,313,022	13,031,921	250,156	1,997,699	2,491,614	3,735,358	337,569,759
42,313,022	13,031,921	250,156	2,005,085	5,955,398	4,165,370	370,581,740
$43,861,602	$27,940,832	$190,157	$2,161,685	$6,218,954	$7,260,867	$987,204,115

Schedule 26 - Revenues, Expenditures, and Changes in Fund Balances
General Fund Accounts
For the Fiscal Year Ended June 30, 2004

	State General Account	Permanent Building	Budget Reserve	Millennium	Income Earnings
REVENUES					
Sales Tax	$892,765,435	$5,000,000			
Individual and Corporate Taxes	976,019,316	5,633,790			$95,448
Other Taxes	47,722,723	7,272,061			4,504,389
Licenses, Permits, and Fees	8,903,360	4,434			15,538,433
Sale of Goods and Services	211,897	61,394,370			2,871,006
Grants and Contributions	49,851,156	453,023			7,182,392
Investment Income	12,019,255	398,535		($40,650)	729,252
Tobacco Settlement				22,848,142	
Other Income	2,815,250	70,916			50,515
Total Revenues	1,990,308,392	80,227,129		22,807,492	30,971,435
EXPENDITURES					
Current:					
General Government	69,843,263	6,220,822		224,699	
Public Safety and Correction	172,713,104	115,120		363,999	2,205,397
Health and Human Services				1,657,503	2,628,948
Education	96,263,496				988,209,245
Economic Development	15,941,809				625,397
Natural Resources	19,767,411				
Capital Outlay	5,286,270	80,581,075			150,114
Debt Service	7,674,416	200,363			
Intergovernmental Revenue Sharing	21,423,296				
Total Expenditures	408,913,065	87,117,380		2,246,201	993,819,101
Revenues Over (Under) Expenditures	1,581,395,327	(6,890,251)		20,561,291	(962,847,666)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	151,723				
Transfers In	116,121,236	10,341,102			988,255,801
Transfers Out	(1,598,101,980)	(6,012,501)			(3,049,999)
Total Other Financing Sources (Uses)	(1,481,829,021)	4,328,601			985,205,802
Net Change in Fund Balances	99,566,306	(2,561,650)		20,561,291	22,358,136
Fund Balances - Beginning of Year, as Restated	136,099,359	11,735,154	$34	2,589,747	12,512,411
Fund Balances - End of Year	$235,665,665	$9,173,504	$34	$23,151,038	$34,870,547

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	General Account Transfer Eliminations	Total
$130,912,569	$2,003,319				$4,967,017		$1,035,648,340
	13,172,692				2,532,327		997,453,573
	3,235,923						62,735,096
		$145,500		$106,973	5,147,620		29,846,320
			$15,952	2,980	4,547,205		69,043,410
					734,761		58,221,332
		79,415			4,839		13,190,646
							22,848,142
		2,107,419	3,535	2,280,376	18,177,108		25,505,119
130,912,569	18,411,934	2,332,334	19,487	2,390,329	36,110,877		2,314,491,978
			4,932,894	141,622	5,889,739		87,253,039
					497,152		175,894,772
		14,208,878					18,495,329
					9,985,140		1,094,457,881
					766,834		17,334,040
				11,055,560	639,013		31,461,984
			5,233		236,902		86,259,594
							7,874,779
129,417,527	94,158				321,630		151,256,611
129,417,527	94,158	14,208,878	4,938,127	11,197,182	18,336,410		1,670,288,029
1,495,042	18,317,776	(11,876,544)	(4,918,640)	(8,806,853)	17,774,467		644,203,949
							151,723
		12,126,700	4,793,800	12,120,556	11,597,482	($1,016,135,750)	139,220,927
	(17,382,366)				(26,371,560)	1,016,135,750	(634,782,656)
	(17,382,366)	12,126,700	4,793,800	12,120,556	(14,774,078)		(495,410,006)
1,495,042	935,410	250,156	(124,840)	3,313,703	3,000,389		148,793,943
40,817,980	12,096,511		2,129,925	2,641,695	1,164,981		221,787,797
$42,313,022	$13,031,921	$250,156	$2,005,085	$5,955,398	$4,165,370		$370,581,740

Schedule 27 - Miscellaneous Statistics

State Capital: Boise
Admitted to the Union: July 3, 1890
Nickname: The Gem State
Motto: Esto Perpetua (Let It Be Perpetual)
2002 Population: 1,341,131
Highest Elevation Point:
Mt. Borah; 12,662 Feet Above Sea Level
Lowest Elevation Point:
Snake River, Lewiston; 770 feet Above Sea Level
Number of Lakes: More Than 2,000
State Song: "Here We Have Idaho"
State Insect: Monarch Butterfly
State Fish: Cutthroat Trout
State Bird: Mountain Bluebird
State Horse: Appaloosa
State Tree: Western White Pine
State Gem Stone: Idaho Star Garnet
State Flower: Syringa

Source: *Idaho Blue Book* , 2003-2004
Idaho Department of Commerce (Population)

COMMUNITIES IN IDAHO WITH POPULATIONS OVER 10,000

Boise	185,787
Nampa	51,867
Pocatello	51,466
Idaho Falls	50,730
Meridian	34,919
Coeur d'Alene	34,514
Twin Falls	34,469
Lewiston	30,904
Caldwell	25,967
Moscow	21,291
Rexburg	17,257
Post Falls	17,247
Mountain Home	11,143
Eagle	11,085
Garden City	10,624
Blackfoot	10,419

Source: U.S. Census Bureau, 2000

LAND AREA AND USE (in square miles)

Total Area:	84,437
Land Area:	83,557
Water Area:	880
Federal Land:	52,699
Total Non-Federal Land:	30,858
Total Rural Land:	78,768
Agricultural Land:	12,170
Range Land:	34,353
Forest Land:	32,245

Land Area and Use amounts were converted from square acres to square miles at 640 acres to the mile.

Source: *Idaho Blue Book* , 2003-2004

The following statistics are from the Idaho Department of Commerce's 2003 ***Idaho Facts*** *pamphlet.*

Number of:	
Licensed Hospitals:	47
Optometrists:	339
Chiropractic Physicians:	411
Physicians:	2,444
Dentists:	898
Public Schools	
Elementary:	362
Secondary:	295
Non-Public Schools	
Elementary:	50
Secondary:	31
Colleges and Universities:	11
Public Libraries:	149

Source: Idaho Department of Commerce

Ida Butler and Friends in Front of Greylock Mountain
Courtesy of the Idaho Historical Society

PAYETTE LAKE'S SKI CLUB–LITTLE SKI HILL

McCall's Little Ski Hill was developed shortly after Sun Valley, in 1937. The Payette Lake's Ski Club has maintained a non-profit organization status for the Little Ski Hill since 1937, when it was used for jumping. Night skiing is available on the weekends with Friday family nights and Saturday telemark nights. Volunteers run the "Hill" with a goal of developing skiing and snowboarding as lifetime sports for all ages. This community supported ski area offers something for everyone with groomed skating lanes, touring trails, a biathlon range, and 405 vertical feet of alpine terrain.

SILVER MOUNTAIN SKI AND SUMMER RESORT

Just ¼ mile from Highway 90, you're on the world's longest single-stage gondola ride enroute to excellent skiing. The Resort offers seven lifts leading to 67 named trails, plus extensive off-trail skiing. On the north face of the Bitterroot mountain range, the Resort receives about 350 inches of snow a year and offers skiing for the beginner to the expert. The Resort emphasizes family skiing and has a beginner chair, a handle tow, and day care.

The Resort also offers a number of activities during the summer months, with a concert series, hiking, mountain biking, and a microbrew festival.

POMERELLE SKI RESORT

Pomerelle Ski Resort is a relaxed, fun-filled, day resort nestled in the Sawtooth National Forest, located just 25 miles off of Interstate 84. The Southern Idaho resort caters specifically to families (especially those with wee ones) enjoying and learning to snowboard. With an annual snowfall of 500 inches, it is usually one of the first Idaho ski resorts to open with Mother Nature's natural snow and one of the last to close. Nordic skiing is adjacent to the Resort on U.S. Forest Service marked trails. The Resort has four lifts and 24 designated trails, with a vertical drop of 1,000 feet.

In the summer, Pomerelle offers hiking, mountain biking, and various other events.

Idaho Prototype Snowmobile
Courtesy of the Idaho Historical Society

SNOWHAVEN SKI RESORT

Snowhaven Ski Resort is a small ski resort with three runs served by a T-bar and a rope tow. The resort has a snack bar, a ski shop, and a day lodge. Located just seven miles outside of Grangeville, the Resort overlooks the Camas Prairie, the Nez Perce National Forest, and the Gospel Hump Wilderness. The whole family can ski together, take lessons, or ski with friends. Professional Ski Instructors of America-certified instructors and National Ski patrol ensure a safe, supervised environment for all ages. There is a ski school for children ages three to six and plenty of cross-country trails adjacent to the Resort.

SOLDIER MOUNTAIN SKI RESORT

Located halfway between Boise and Sun Valley in the picturesque Sawtooth National Forest, Soldier Mountain Resort is one of Idaho's hidden gems. The Resort offers 38 ski runs, a snowboard terrain park, backcountry skiing, and catskiing at very reasonable rates. The snowcat trips include a full day experience with your choice of over 1,500 acres of backcountry terrain.

W.R. Butler, Atlanta, Idaho - Barber, Sheriff, and Skier
Photo Courtesy of the Idaho Historical Society

KELLY CANYON SKI RESORT

Kelly Canyon Ski Resort is located in the Targhee National Forest near the South Fork of the Snake River, in one of the most beautiful and historic river valleys of Eastern Idaho.

In 1957, a few farmers and ranchers went to Sun Valley Ski Resort. Their trip started wheels turning and the making of a big investment…but one that began a lifetime of fun for area residents. The Resort features intermediate terrain, a ski school, equipment rentals, and four lifts serving 640 skiable acres. It provides the only night skiing in Eastern Idaho.

COTTONWOOD BUTTE SKI RESORT

The Cottonwood Butte Ski Resort is located on County Road off of I-95 in Cottonwood. This North Central Idaho resort boasts seven runs for beginner, intermediate, and advanced skiers, taking full advantage of the annual snowfall of 180 inches. In addition to alpine skiing, the Resort also offers cross-country skiing. Night skiing is offered on many runs.

LOOKOUT PASS SKI AREA

Lookout Pass Ski Area was actually the first ski area (not resort) to open in Idaho in 1935. The ski area operates under a special-use permit of the U.S. Forest Service. It is an affordable family ski area with easy access and great snow (more than 350-400 inches per year means there is great powder skiing). The Area includes expert terrain and a world-class snowboard terrain park featuring a 1,111 foot long, non-conforming halfpipe, and acres of expert tree skiing and boarding.

For the last 50 years, the ski area has offered a free ski school for children, allowing children from Spokane to Missoula to learn how to ski.

Bogus Basin - Early Days
Photo Courtesy of the Idaho Historical Society

MAGIC MOUNTAIN SKI AND SUMMER RESORT

Magic Mountain Ski and Summer Resort is located near Twin Falls. It features great snow, a day lodge with a cafeteria, equipment rentals, and a lounge. This is one of the earliest resorts to open in Idaho (1938). The Resort features a mix of runs for the beginner to the expert. In addition to the alpine skiing available at the Resort, cross-country skiing, snowtubing, and snowmobiling are available in a nearby area. Snowboarding is allowed on all slopes and at the terrain park.

Magic Mountain has a full summer schedule. The Wild Rockies Mountain Bike Race is held the 1st weekend of June, an archery shoot is held on the July 4th weekend, and there is an annual Buffalo Feed the 2nd weekend of September. Camping is allowed in summer, and the lodge is available for wedding receptions, reunions, and other events.